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EVALUATING INFORMAL ENTREPRENEURSHIP IN
NIGERIA: A STUDY OF ZAMFARA STATE

USMAN A. LADAN

Thesis submitted to the University of Sheffield in partial fulfilment of the requirements for the
degree of Doctor of Philosophy

Centre for Regional Economic and Enterprise Development (CREED)

Management School

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DECLARATION

I declare that the entirety of this thesis titled ‘Evaluating informal entrepreneurship in Nigeria: A study of Zamfara state’ is my original work, all sources used or quoted have been duly indicated, attributed and acknowledged through references and it has not been previously submitted for the application of any degree.

Usman A. Ladan

ABSTRACT

This study is centred on informal entrepreneurship, an age-old economic endeavour and an integral part of economic activity in Zamfara, Nigeria. The aim is to evaluate informal entrepreneurship in terms of its nature and character; the reasons why different groups participate in it; and potential policy measures which could improve the conditions of entrepreneurs in the sector and facilitate the growth of their informal firms, and encourage their voluntary and gradual formalisation.

The study adopted a nested two-stage survey method research design for the data collection (household and enterprise surveys). The household survey sample consisted of 75 enumeration areas drawn from nine localities cutting across rural, suburban and urban localities, while the enterprise survey comprised of 215 participants as a sub-sample of the first stage survey.

On the nature and character of informal entrepreneurship, the study reveals that this phenomenon is highly heterogeneous and widely spread among different sectors of the economy with a considerable participation by both males and females. Also, empirical evidence from the study suggests the participants were regulated informally by their trade associations, contrary to the conventional belief that the sector is wholly unregulated.

Adopting an eclectic theoretical approach, the study provides insights on the drivers of informal entrepreneurship from three theories with wider application in the field: theories of informal economy, institutional theory, and theory of motives of informal entrepreneurship. These are relevant in explaining the rationale for engagement in the activity and suggest the co-existence of multiple logics and the interplay of inter-institutional systems for engaging in informal entrepreneurship. The study further suggests that almost two thirds of informal entrepreneurs (64%) have dual motives at any one time, and that the primary motivation for informal entrepreneurship can change over time, with such changes following the start of an informal enterprise found among almost one-quarter (22%) of the respondents. Another contribution of the study to the literature is its finding that different groups of informal entrepreneurs vary in their characteristics and motives for starting up informal entrepreneurship.

The study further suggests that public utilities and infrastructural services were very poor. The participants operated under poor conditions and unfavourable environments with a severe lack of critical resources, such as electricity supply, which seriously affected their productivity and earning capacities. As a way forward, the study proposes a strategic model comprising nine integrated measures that might help to improve the operating conditions facing informal entrepreneurs and facilitate their voluntary and gradual formalisation. Amongst the key measures proposed are favourable regulatory policies; enabling environments; access to critical resources (particularly electricity and finance); provision of incentives for formalisation; and enhanced security of life and property.

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LIST OF ABBREVIATIONS

ACGSF	Agricultural Credit Guarantee Scheme & Finance
AfDB	African Development Bank
BLP	Better Life Programme for Rural Women
BSCs	Business Support Centres
BICs	Business Information Centres
CAC	Corporate Affairs Commission
CBN	Central Bank of Nigeria
CCIDS	Cluster Concept Industrial Development Strategy
DFID	Department for International Development
EAs	Enumeration Areas
EDCs	Entrepreneurship Development Centres
EDP	Entrepreneurship Development Programme
FEAP	Family Economic Advancement Programme
FFIs	Formal Financial Institutions
FSP	Family Support Programme
FIWON	Federation of Informal Workers of Nigeria
FIRS	Federal Inland Revenue Service
FMITI	Federal Ministry of Industry, Trade and Investment
FOS	Federal Office of Statistics
GIDD	Gender in Development Division
ICLS	International Conference of Labour Statisticians
IFIs	Informal Financial Institutions
ILC	International Labour Congress
ILO	International Labour Organization
ISEs	Informal Sector Enterprises
L R χ^2	Likelihood Ratio Chi-square
MFIs	Micro-Finance Institutions
MSMEs	Micro, Small and Medium Enterprises
NATA	National Automobile Technicians Association
NAPEP	National Poverty Eradication Programme
NPC	National Population Commission
NAFDAC	National Food & Drugs Administration and Control
NBS	National Bureau for Statistics
NDE	National Directorate of Employment
NERFUND	National Economic Reconstruction Fund

NEPD	Nigeria Enterprise Promotion Decree
NISER	Nigerian Institute of Social and Economic Research
NOI Polls	Ngozi Okonja-Iweala Polls
NURTW	National Union of Road Transport Workers
OEDC	Organization for Economic Co-operation and Development
OLS	Ordinary Least Square
OSH	Occupational Safety and Health
PEF	Poverty Eradication Fund
PPS	Population Proportional to Size
PSUs	Primary Sampling Units
SAP	Structural Adjustment Programme
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
SMEII	Small and Medium Enterprises Investment Initiative
SMEEIS	Small and Medium Enterprises Equity Investment Scheme
SON	Standard Organisation of Nigeria
SSICS	Small Scale Industries Credit Scheme
TRATOW	Train to Work
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UN-HABITAT	United Nations Human Settlements Programme
USA	United States of America
USAID	United States Agency for International Development
YOUWIN	Youth Enterprise with Innovation in Nigeria
ZAPA	Zamfara Poverty Alleviation Agency
ZAMDOSH	Zamfara Directorate of Occupational Safety and Health
ZAMSIDA	Zamfara Small Industry Development Agency
ZAMSEPDA	Zamfara Small Enterprise Promotion and Development Agency

INDIGENOUS TERMS (HAUSA LANGUAGE)

Alfarma	Favours/pulling strings
Cin amana	Fraudulent act of cheating or deceiving somebody on trust
Mai injin	Owner of processing machine
Muhrim	Close relation prohibited for marriage
Rundawa	Traditional butchers
Sana'a	Occupation/entrepreneurial activity
Sarauta	Kingship system
Tukunbo	Imported used car from Europe

CHAPTER ONE: INTRODUCTION AND BACKGROUND TO STUDY

1.1 Background to study

Informal entrepreneurship represents an integral part of economic activity in Nigeria. In recent times, the sector has gained more recognition owing to its employment- and income-generating capacity which helps in addressing poverty (Blunch et al., 2001; UN-HABITAT, 2006) and the potential for acquisition and development of skills. Hence, it serves as a seedbed for formal entrepreneurship (de Medina, 2006; Nelson and Bruijn, 2005; Seibel, 1996b; UN-HABITAT, 2006) paving the way for the emergence of dynamic entrepreneurs (ILO, 1972, 2007). Consequently, research on the sector is becoming increasingly popular following the realisation of its role as a source of livelihood and sustenance for many of the nation's population. This is in addition to the current Nigerian government's policy, which recognises the role of micro, small, and medium enterprises (MSMEs) in economic growth and development. In many other developing countries there is a renewed interest in the informal sector because of its role in economic development, and due to the fact that it embodies and presents an economic reality that the government recognises.

There are two basic perspectives on the economic impact of informal entrepreneurship in developing countries. The first regards informal entrepreneurship as making a positive contribution to income generation, economic growth, employment and poverty reduction. The second perspective views informal entrepreneurship as harmful, to the extent that it involves non-payment of taxes and the production of pirated products, which discourage innovation (Adebusuyi et al., 2010; Otu et al., 2010). In addition, the activities of some informal entrepreneurs may affect urban physical planning structures and pose health hazards to the community, especially those that operate in residential areas (Nwaka, 2005). Policy makers, donor agencies and academics therefore have an interest in identifying potential means of minimising the negative consequences of informal entrepreneurship.

That apart, theories concerning the motives for engagement in this activity are still contested and are yet to be thoroughly researched in the context of Nigeria. In the absence of empirical research on the subject, a conventional depiction has been that engagement is driven simply by necessity or opportunity. Yet, there could be other motives masked by those supposedly universal ones (Ladan and Williams, 2014).

It is against this background that the study examines the nature and character of and motives for participation in informal entrepreneurship in Nigeria. It also explores possible measures and approaches that could improve the conditions of the informal entrepreneurs, encouraging a voluntary and gradual transition of some participants to the formal sector.

1.2 Rationale for the study

The informal economy accounts for a considerable proportion of total economic activities, particularly self-employment in developing economies. Informal entrepreneurship, which comprises own-account holders, owners/employers in their own informal enterprises, their contributing family members and apprentices, and members of collective enterprises (cooperatives), makes a substantial contribution to self-employment in the informal economy. For example, according to the International Labour Organization (ILO, 2002b) informal self-employment represents 72% of informal employment in sub-Saharan Africa. Not only in Africa, the activity is economically important, especially to deprived communities in both developed and developing nations (Becker, 2004; Chen, 2005; Evans et al. 2006; Sepulveda and Syrett, 2007; Williams, 2006b).

The persistent growth of the sector has led to a paradigm shift in both the conceptualisation and contextualisation of the phenomenon (Chan, 2005). The negative views of the sector have gradually given way to more positive views, aiming to explain the sector's economic viability, such as its income and employment generating opportunities and its potential for breeding local entrepreneurship from which dynamic enterprises can emerge (Hope, 1997; ILO, 1972, 2002a; McPherson, 1996; Seibel, 1996a; UN-HABITAT, 2006a; United Nations, 1997; Williams, 2006a). Based on this economic development-driven approach, studying the sector offers the potential to bring to light new developments and approaches to improve the condition of operators in the sector and encourage the voluntary transfer of some to the formal sector. For this to happen, it is vital that the nature, character, motives, characteristics, and rationales of informal entrepreneurs be understood. Also possible policy mechanisms that might improve their operating conditions, encouraging the voluntary formalisation of some entrepreneurs in the sector are required. A number of studies have examined the informal economy and informal sector enterprises in Nigeria. These studies include Abumere et al., 1998; Meagher and Yunusa, 1996; Yusuff, 2013), amongst others. However, most of these studies concentrate on the socio-economic perspective of the sphere, apart from Yusuff, and hence seem to be 'motive-blind'.

This study will thus address two deficiencies in the existing research. The first of these is the absence of detailed information about the nature, characteristics and motives of informal entrepreneurs in Nigeria. Although studies of the informal economy in Nigeria exist (for example, Abumere et al., 1998; Meagher and Yunusa 1996, NBS 2010, Onyebueke 2013 and Yusuff 2013), they have tended to focus on the informal economy in general, as opposed to informal entrepreneurship. The only study that has considered the motives of entrepreneurs (Yusuff, 2013) was based on sociological perspectives of social action and social capital theories, rather than on theories of informal entrepreneurship, institutional theory and theories of motives of informal entrepreneurship per se. Social action and social capital theories reveal very little about the motives of informal entrepreneurs

and how these change over time. In addition, it is argued that a deeper and comprehensive understanding of the complex nature of the driving forces for engaging in informal entrepreneurship needs to go beyond a sociological perspective of the phenomenon to additionally consider institutional, economic and behavioural/psychological perspectives.

The second research gap addressed by this thesis relates to the means by which conditions of the operators in the sector might be improved to encourage voluntary transitions to the formal sector. Abumere et al. (1998) was amongst the few that have dealt with elements of the institutional environment and informal sector discussing the existing policy responses, but did not discuss factors that would improve the operating conditions of informal entrepreneurs and enhance their potential, thereby promoting the development of more positive attitudes and dispositions towards voluntary formalisation.

Another impetus for the study is to improve the lives of citizens through an understanding of the operational environment within which informal entrepreneurs operate. The shrinking of jobs in the formal sector (Adu-Amankwah, 1999; Chen, 2005, Potts; USAID, 2005b) since the introduction of Structural Adjustment Programme (SAP) in the mid 1980s has led to a persistently high level of unemployment (NBS, 2010), contributing to resentment and insurgency, especially in the north, where poverty is very high (Meagher, 2013b; Oladimeji and Ojibo, 2012; Osalor, 2009). Zamfara state is, according to the National Bureau of Statistics (NBS, 2010), one of the states in Nigeria which has poverty levels higher than 70%. It is hoped that the research will therefore help to inform the content of public policies aimed at improving the employment and income generating capacity of the sector.

The researcher chose to examine Nigeria because he is a citizen of the country, a native of the region, familiar with its business and entrepreneurial environment and with experience of the practice of some informal entrepreneurs, having once been a participant in this sector and the progeny of an informal entrepreneur. Other reasons that influenced the choice of Nigeria include the dynamic nature of informal entrepreneurship in the country (the most dynamic in Africa according to Meagher and Yunusa, 1996), the high rate of participation (the third largest in Africa according to Schneider, 2007), its growth since the introduction of SAP in 1986, the economic reality it embodies, and its contribution to GDP.

1.3 Defining the research problems

The study adopts an eclectic theoretical approach to the drivers of participation in informal entrepreneurship. In doing so it draws upon theories of the informal economy, institutional theory and theories of motives of informal entrepreneurship, and assesses their relative value in explaining informal entrepreneurship in Nigeria, specifically Zamfara. By extension, the study also evaluates whether informal entrepreneurs' motives are static, or instead change over time, and examines whether

characteristics and rationales vary between different groups of participants according to their locations, income, and mode of entry, ownership structure, and motives for engaging in the activity.

Identifying the enabling and constraining factors for improving conditions and encouraging voluntary formalisation in Zamfara is an important task. Many researchers (for example, Abumere et al., 1998; Chen, 2012; Ishengoma and Kappel, 2006; Ouma, 2010; Simon and Birch, 1992) assume that formalisation will reduce a number of problems faced by informal entrepreneurs. Secondly, the study is a contribution to the on-going policy discourses about informal sector entrepreneurship. It therefore examines appropriate policy measures for the sector that could improve informal entrepreneurs' income and efficiency and promote their voluntary and gradual formalisation, which will consequently increase government revenue.

As informal entrepreneurs are highly diverse and heterogeneous in nature (Sepulveda and Syrett, 2007; Trager, 1987), it is imperative to have a clear focus on the group being researched (Palmer, 2004). Therefore, the scope of the study is limited to informal entrepreneurship rather than informal economic activity in general. Informal waged employment is therefore outside the scope of this study, which comprises only own-account holders, owners/employers in their own informal enterprises, their contributing family members and apprentices, and members of collective enterprises (cooperatives).

1.4 Aims and objectives of the study

The study specifically aims to achieve the following objectives:

- i. To examine the nature and characteristics of informal entrepreneurship in Nigeria.
- ii. To evaluate the motives for participation in the sector.
- iii. To examine whether and to what extent the characteristics and motives for engagement differ between different groups.
- iv. To explore potential policy measures and approaches that could improve the conditions of informal entrepreneurs and encourage voluntary and gradual formalisation.
- v. To propose a strategic framework to improve the conditions and to facilitate the voluntary and gradual formalisation of some informal sector entrepreneurs.

1.5 Research Questions

Following on from the objectives of the study, therefore, the study attempts to provide answers to the following questions:

- i. What is the nature and character of informal entrepreneurship?
- ii. What are the motives for participation in informal entrepreneurship?
- iii. What characteristics and motives relate to different population groups of participants in the sector?

- iv. What policy measures and approaches could improve operating conditions, and encourage and facilitate the voluntary and gradual formalisation of informal entrepreneurs?

1.6 Outline and structure of the thesis

The remainder of the thesis is structured as follows. Chapter Two reviews relevant background literature. The first part of the literature review explores the conceptualisation and theorisation of the informal economy and informal entrepreneurship as well as their characteristics. The second part looks at the theory of small firm growth, constraints and obstacles to their growth and debates relating to the formalisation and growth of informal sector enterprises in developing countries. The third chapter provides insights on the economic and political context/environment within which the study is situated, patterns of participation and the roles of informal institutions.

Chapter Four focuses on the methodological framework of the study. It explains and justifies the philosophical assumptions underpinning the research, the research design, the methods of data collection and analysis, and the way ethical issues were addressed.

The next two chapters contain the results and analysis of the character and nature of informal entrepreneurship, and characteristics relating to different groups of participants, followed in Chapter Seven by an evaluation of the motives for engaging in the activity and analysis of the motives of different groups of participants. Chapter Eight focuses on insights from the empirical work concerning the institutional and policy environment, factors affecting the conditions of informal entrepreneurs, and inhibitors and facilitators of formalisation. Chapter Nine discusses various rationales/logics for engaging in informal entrepreneurship, while Chapter Ten discusses the main findings of the study.

Chapter Eleven concludes the thesis with a high-level summary of the key findings, conclusions, and recommendations. The chapter also discusses the study's contribution to knowledge. In addition, it reflects on the limitations of the study and suggests areas for future research.

CHAPTER TWO: LITERATURE REVIEW

PART A: CONCEPTUALISATIONS AND THEORIES OF DRIVERS OF INFORMAL ENTREPRENEURSHIP

The review looks at the basic concepts and characteristics of entrepreneurship generally and informal entrepreneurship more particularly. It then looks at the theories of drivers and motives for engagement in informal entrepreneurship. The second part deals with the theories of small-firm growth, barriers and obstacles to informal enterprise growth, and measures to facilitate voluntary formalisation.

2.1 Definitions and characteristics of an entrepreneur

Scholars are yet to reach a consensus on the definition of an ‘entrepreneur’. Therefore, there are various definitions focusing on different attributes. For example, some focus on innovation (Schumpeter, 1934), risk-bearing (Knight, 1921), value-creation, i.e. the ability to deploy economic resources for greater yield (Say, 1971), or the undertaking of a business (Cantillon, 1931). Others focus on organising and coordinating the other factors of production (Marshall, 1920), opportunities for recognition and exploitation (Kirzner, 1979), and creation of new organisation (Gartner, 1988). Still others focus on creation of new enterprise (Low and MacMillan, 1988) and “discovery and exploitation of profitable opportunities” (Shane and Venkataraman, 2000, p. 217).

Drawing from Schumpeter’s innovative entrepreneur, Schultz (1975) introduced the concept of the adaptive entrepreneur. This type of entrepreneur mainly adapts technological innovation of high-tech entrepreneurs through technology adaptation and diffusion (Peneder, 2009). Similarly, Drucker (1985) introduced the concept of ‘creative imitation’ in the study of entrepreneurship and distinguishes the innovative from the imitative entrepreneur. Drucker (1985) noted that not every entrepreneur is an innovator; some are involved in creative imitation activities. The adaptive and imitative entrepreneurs form the bulk of entrepreneurs in developing countries, especially in Africa (Harris, 1971; Katzin, 1964). Katzin (1964) proclaimed that African entrepreneurs are proficient in imitative rather than innovative entrepreneurship and distinguished three dominant types of entrepreneurs in Africa: innovative entrepreneurs (individuals with creative ideas for new product development); imitative or adaptive entrepreneurs (without the ability for product innovation but adapting technology or imitating existing products); and traditional entrepreneurs (engaged in established commercial practices).

While multiple definitions abound, we take as a working definition the eclectic notion that an entrepreneur can be described as an individual involved in the exploitation and pursuance of entrepreneurial opportunities whether creative, innovative or commercial, often associated with commitment of resources under conditions of risk and uncertainty for the purposes of profit and economic growth or personal satisfaction.

The most frequently identified traits and attributes regarded as characteristics of entrepreneurs include: need for achievement (Chromie, 2000; Koh, 1996; McClelland, 1965), locus of control (Begley and Boyd, 1987; McClelland, 1965; Salamzadeh et al., 2014), creativity (Caird, 1991; Chromie, 2000), innovativeness (Begley and Boyd, 1987; Chromie, 2000), risk-taking propensity (Gürol & Astan, 2006; Koh, 1996), and tolerance of ambiguity (Begley and Boyd, 1987; Chromie, 2000; Koh, 1996). Other characteristics are need for autonomy and independence (Caird, 1991; Hornaday and Abound, 1971; Ket de Vries, 1977), self-confidence and self-reliance (Gürol & Astan, 2006; Hornaday and Abound, 1971), leadership, and desire to take responsibility (McClelland, 1965).

This suggests that those who possess these traits are more likely to become entrepreneurs than those who do not. Therefore, these attributes are considered as predictors of the central behaviour of entrepreneurs, but it is not necessary for them to possess all these traits. Still, being an entrepreneur requires the possession of most (Pitamber, 1999). However, some scholars (Aldrich and Zimmer, 1986; Gartner, 1988; Low and MacMillan, 1988) argue that personality traits are inadequate to fully explain entrepreneurial behaviour; other social and economic factors play essential roles in predicting their behaviour. Low and MacMillan (1988) for example, posit that individual characteristics and cultural background, in addition to the socio-economic environment, combine to mould an entrepreneurial individual but not personality traits alone, while Bruyat and Julien (2000, p. 165) argue that the characteristics of an entrepreneur will be better understood by considering individual traits, the environment, and ‘the links between them’.

2. 2 Entrepreneurial Orientation (EO)

Entrepreneurial orientation is often seen as the entrepreneurial mind-set of individuals (Covin and Slevin, 1989; Fayalle et al., 2010; Ma and Tan, 2006). Ma and Tan (p. 708) described it as ‘entrepreneurial mind-set that assigns different values to resources and opportunities than does the general population and a mind-set that encourages creativity and innovation, changing the game and being unique’. EO then functions as both the mind-set and the strategies employed in the pursuit of new opportunities to achieve goals (Lumpkin and Dess, 1996; Rauch et al., 2004). It embodies a predisposition to act autonomously, with will power to ‘innovate and take risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities’ (Lumpkin and Dess, 1996, p. 137).

Research on EO has been predominantly at firm level (Krauss et al 2005); few have studied the individual level (Bolton and Lane, 2012; Callaghan and Venter, 2011; Krauss et al., 2005). Regardless of the claim that in the informal sector the majority of the entrepreneurs ‘do little more than subsist’ (Morris and Pitt, 1995, p. 85), there exists among them a sub-group of dynamic entrepreneurs who exhibit characteristics similar to their formal sector counterparts (see House, 1984). They demonstrate

competitively driven mind-sets characterised by future-orientation, creativity, innovation, and the propensity to take calculated risks (Fatoki, 2014; House, 1984; Morris and Pitt, 1995).

On the studies of informal entrepreneurship in the African context, some scholars (Calleghan and Venter, 2011; Frese et al., 2002; Krauss et al., 2005) have shown that EO is reflected by informal entrepreneurs' attitudes and behaviours. Some are innovative, autonomous, independent, and assume some risks. However, they tend to be weak in applying proactive orientation and hence adopt follower strategies relative to formal firms; imitators rather than leaders (Fatoki, 2014).

Previous research has, however, shown that, informal entrepreneurs were highly constrained in the application of EO due to limited knowledge and skills, lack of resources such as finance and equipment, and strict regulations on their activities in regions and cities with stiffer control, deterring them from operating and advertising freely (Ahmed and Chowdhury, 2009; Goedhuys and Sleuwaegen, 2000; Krauss et al., 2005). The effects of social networks in form of cooperation, e.g. sharing of production resources, working tools, space, or expectation of help and trust have also contributed in scaling down aggressive competition among informal entrepreneurs. Krauss et al. (2005) suggest that competitive aggressiveness was not strongly seen as part of EO among informal entrepreneurs because of cooperative behaviour in the use of production tools; competitors are seen less as rivals and more as potential co-operators. At times, producers share tools and vendors selling the same products look after their side vendors' commodities (Ahmed and Rikko, 2005; Tripp, 1997 see Section 2.7.2 for discussion).

2.3 Conceptualisation of informal sector/economy and informal entrepreneurship

To enhance our understanding of informal entrepreneurship, this section discusses the evolution of the concept of the informal sector, the concepts of informal entrepreneur, entrepreneurship and enterprise, and their typologies and characteristics.

The concept of "the informal sector" was first used by Hart (1971/1973) to describe the working poor operating in Nima, a shanty settlement of Accra, Ghana. The concept continued to gain recognition in economic discussion all over the world, especially in developing countries (Gerry, 1987; ILO, 2002a; Losby et al., 2002; Potts, 2008). The use of the term 'informal sector' by the International Labour Organization (ILO) in Kenya, 1972, popularised the concept and brought about its adoption in future studies. This study also unveiled the research potentialities of the sector and thus it became a new area of economic and social research. The report highlighted not only the existence and importance of the sector, but also stressed its growth potential and its contribution to the economic development of developing nations (ILO, 1972).

Currently, the informal sector is associated with diverse economic activities ranging from small scale production; waste recycling; vendors of assorted goods, repair and maintenance services; and sellers of

groceries, furniture, and clothes, etc. Owing to the pervasive nature of informal economic activities and the dynamics and heterogeneity of the participants, the International Labour Conference (ILC), 1993, broadened the term “from ‘sector’ to ‘economy’” to incorporate all workers and enterprises, whether in rural or urban, operating informally” (ILO, 2002a). Thereafter, the term “informal economy” was widely used.

Despite the adoption of that term, there are variations in its conceptualisation which have resulted into three different approaches in defining it, depending on focus and approach, organisation, or country. It is defined using a given approach which can be enterprise-, employment-, or activity-based (Husmann, 2005; OECD, 2004). Husmann (2005) and the ILO (1993, 2002, 2011) defined informality on the basis of enterprise and/or employment. In Nigeria, enterprise- and activity-based are used officially. While the enterprise-based focuses on engagement in the production and sale of legal goods and/or services outside formal arrangements, employment-based centres on all activities by workers outside formal system and activity-based focuses on income generating activities either employment or production outside formal sector (ICLS, 1993; ICLS, 2003; ILO, 2002a; OECD, 2004).

2.3.1 Informal entrepreneurship

The definition of the concept of informal entrepreneurship is yet to be unambiguously articulated. Different analysts focus on enterprise, jobs, or activity (Husmann, 2005; OECD, 2004). Some have focused on different aspects of it, e.g. ‘income generating activities outside modern contractual relationships’ (Portes et al., 1986, p. 728), ‘the production and exchange of legal goods and services that involves the lack of appropriate business permits’ (Cross, 1999, p. 580), exploitation of recognised business opportunities with legal and social acceptability occurring outside of formal boundaries (Webb et al., 2009), active engagement, and ‘managing a new venture that produces or sells legitimate goods and services and is not registered with official authority’ (Autio and Fu, 2014, p. 5) and the initiating of a business less than 42 months old, engaging in paid production and sales of goods and services that are legitimate in all respects, but not declared to the state for tax and/or benefit purposes (Williams and Nadin, 2010).

Recurring elements of the definitions include setting up and managing nascent unregistered business, non-payment of taxes, and non-compliance with regulations. “Informal entrepreneurship” can therefore simply be defined as establishing and managing an enterprise that engages in licit economic activities operating fully or partially outside the purview of state regulatory arrangements, such as non-registration with regulatory authorities, non-payment of tax, or both. It therefore involves the production and/or marketing of legal goods and/or services partially or fully outside the government regulatory framework governing business operations, such as registration, payment of tax and social

security, welfare provision, and other labour-management relations. It comprises all economic activities not fully covered by the formal arrangements, with the exception of criminal activities.

Informal entrepreneur: the concept of the “informal entrepreneur” has only received attention relatively recently (Igudia et al., 2014). Despite wide recognition of the existence of entrepreneurs in the informal sector (Hart, 1973); some scholars have argued that they are in reality disguised workers who are exploited by the formal sector (Cross, 1999). The debate has distracted the attention of scholars from the development of the definition of the informal entrepreneur (Peattie, 1987; Moser, 1978). Peattie maintains that the concept could not attract a single definition, due to the different views of the phenomenon from the academic, policy and development communities. This has retarded the development of a concise definition of the informal entrepreneur.

However, the introduction of the ILO’s (1993) conceptual framework has provided the basis on which informal entrepreneurs can be more clearly identified and understood. Informal entrepreneurs are individuals operating either as owners/employers, self-employed own-account holders, contributing family members, or members of producers’ cooperatives. These categories of participants correspond to cells 3, 4, 5 and 8 of the ILO’s conceptual framework for defining and measuring informal sector and informal employment, as shown in Fig. 2.1 below.

Figure 2.1: Conceptual framework for the informal sector and informal employment

Production units by type	Jobs by status in employment								
	Own-account workers		Employers		Contributing family workers	Employees		Members of producers’ cooperatives	
	Informal	Formal	Informal	Formal	Informal	Informal	Formal	Informal	Formal
Formal sector enterprises					1	2			
Informal sector enterprises ^(a)	3		4		5	6	7	8	
Households ^(b)	9					10			

Adapted from: ILO (2010) Manual on Surveys of Informal Employment and Informal Sector, Draft Chapter 2: Concepts, definitions and sub-classifications of informal sector and informal employment, p. 21

(a) Excludes households employing paid domestic workers, as contained in the 15th International Conference of Labour Statisticians-ICLS, 1993.

(b) Consists of households employing paid domestic workers and households producing through self-provisioning.

Note: Cells shaded in dark grey refer to jobs which, by definition, do not exist in the type of production unit in question. Cells shaded in light grey refer to formal jobs. Unshaded cells represent the various types of informal jobs.

Informal entrepreneurs, therefore, are individuals engaged in the pursuit of entrepreneurial opportunities through legitimate income generating endeavours outside the frontiers of formal institutional boundaries (De Castro et al., 2014) that are often unregistered and escape payment of tax and formal regulations.

Informal entrepreneurs can be distinguished by their motives (Webb et al., 2009; Williams and Nadin, 2010), characteristics, and nature of engagement (Benner et al., 2008; Davis, 2006; Fields, 1990; House, 1984; Meagher, 1995; Portes and Hoffman, 2003). The motives of informal entrepreneurs differ between commercial and social entrepreneurs (Williams and Nadin, 2011a). According to Williams and Nadin (2010) commercial informal entrepreneurs are those operating wholly for profit, for purely economic reasons. Though their motives are primarily economic, this might not be the only motive; there could be search for prestige and/or status (Carsrud and Brännback, 2011). On the other hand, social informal entrepreneurs are those engaged in all sorts of unpaid informal entrepreneurial activities and social exchanges through self-employment, for closer relations, mutual aid, unpaid community exchange, and other social activities of solidarity (Williams and Nadin, 2011a).

An alternative classification is provided by Webb et al. (2009), who distinguished three different types of informal entrepreneurs: those seeking to change their current income by augmenting their earnings, those committed to growing their venture (growth-oriented entrepreneurs), and those desiring a certain lifestyle. Income augmenters and growth-oriented entrepreneurs are commercially oriented, whereas lifestyle entrepreneurs are socially oriented. It is worth noting that the two types are not mutually exclusive—there tends to be an overlap. Some entrepreneurs combine the features of the commercial and social, known as ‘social for commercial entrepreneurs’ (Estrin, Mickiewicz and Stephan, 2013).

Regarding their characteristics, commercial informal entrepreneurs have been classified into two main types (subsistence/survivalist and growth-oriented) by a number of scholars (Berner et al., 2008; Davis, 2006; Fields, 1990; House, 1984; Meagher, 1995; Portes and Hoffman, 2003). These dominant types are variously labelled as ‘upper tier’ and ‘lower tier’ (Fields, 1990), survivalists and informal micro-entrepreneurs (Rogerson, 1996), the community of the poor and the intermediate sector (House, 1984), subsistence and micro-accumulation (Davis, 2006), informal proletariats and petty bourgeoisies (Portes and Hoffman, 2003), and survival informal and genuine entrepreneurs (Meagher, 1995). House (1984) argues that the two categories vary by their activities, attitudes, and motivation. According to House (p. 298) ‘the community of the poor are forced by their circumstances to eke out a subsistence’ while ‘the intermediate sector’ appears to be ‘a reservoir of dynamic entrepreneurs who have consciously decided to engage in a particular line of business with motivation to invest and to build for

the future'. Given their conscious choice at the point of entry, these types of entrepreneurs are opportunity-driven. However, House (1984) identified a third group in the stage of transition who displays some of the characteristics and motivation of each of the polar groups.

Subsistence/survivalist entrepreneurs are mostly own-account holders, usually operating independently in very small enterprises, characterised by low capital investment and street-like trading activities and services, offered with limited skills, for subsistence (Berner et al., 2008). They usually 'work alone as self-employed workers or producers and some employ family labour or apprentices' (ILO, 2006, p. 12). This category forms the majority of the informal sector entrepreneurs in all countries (Portes et al., 1986). On the other hand, the growth-oriented represent the modern informal entrepreneurs with potential for earnings higher than the formal, characterised by monetary resources, professional and technical skills, and the capacity to employ a small number of workers (Portes and Hoffman, 2003). A majority are in the activity by self-selection or having transcended from the second tier. Some of them exhibit characteristics of modern micro and small formal entrepreneurs.

Some scholars such as Cross (2000) and Berner et al. (2008) presuppose that the two categories are not mutually exclusive, as the threshold between them is very porous and penetrable. Many commentators see the two categories as indistinctive but ideal types or poles of a multidimensional continuum (Berner et al., 2008). According to Berner et al. (2008) experience has also shown that a small number of survivalist entrepreneurs accumulate skills and savings that enable them to start a growth-oriented business, with the likelihood of achieving upward mobility (Grimm et al., 2011, 2012a; Trager, 1987).

2.3.2 Informal enterprises, their typology and characteristics

ILO (2002a, p. 126) defines informal enterprise as 'private unincorporated enterprises with five to ten workers which are not registered with the legislative regulatory act as distinct from local regulations governing trade licences or business permits'. These enterprises are distinguished mostly by small size, non-registration with regulatory authority, tax evasion, and non-compliance with labour laws (ILO, 2010). Informal enterprises can simply be described as those which avoid state regulations, wholly or partially acting entrepreneurially or operating for subsistence purposes (see Harris-White, 2010).

These types of enterprises may be owned by an individual or by partnership (NBS, 2010). They constitute the majority of enterprises in developing countries, serving low-income customers who cannot pay for products manufactured by large corporations. As a result of lower cost of their products and the low-income earning capacity of customers, they expand more rapidly than formal firms (ILO, 1972, 2002a, 2009). Meanwhile the sector provides productive outlets for indigenous entrepreneurial spirit and assists in the dispersion of economic activities in both rural and urban areas (ILO, 1985).

Types of informal enterprises: the various types of informal enterprises are inexhaustible owing to their multiplicity. However, they can be discerned by their characteristics, i.e. location, ownership pattern and size. Six types can be distinguished: home-based, family, street-based, flea market, collective and professional/skilled workers' enterprises.

Table 2.1: Typology of informal enterprises

Types	Descriptive features
Home-based enterprise	Comprising male and female entrepreneurs operating at home (inside or attached to home). They engage in both production and commercial activities in the form of a small production unit, workshop, shop, or kiosk.
Family enterprise	Mostly constituting family production units, often corresponding with traditional family occupations (Das, 2003).
Street-based enterprise	Consisting of street vendors, hawkers, and traders, sometimes called street entrepreneurs (Cross and Morales, 2007). They conduct their activity on the street pavements, walkways, and in other public places, such as bus stops, garages, motor parks, train stations, stadiums, town halls, etc.
Flea-Market enterprise	Operate mostly in outdoor markets. However, some conduct their business under market stalls constructed by local authorities or under self-constructed shades, and so mainly remain in a fixed location.
Collective enterprise	Operate under a cooperative arrangement, either a producers' cooperative or a group of informal entrepreneurs engaged in similar business activities.
Professional/skilled workers	Comprise production and service units of single individuals or informal enterprise groups, with or without a fixed place of work, mostly consisting of skilled persons such as repairers, technicians, plumbers, carpenters, and upholsterers, etc.

Sources: Cling et al (2010); Kamete (2004); Meagher and Yunusa (1996); Skinner (2005); Triger (1987).

The most commonly given characteristics of informal sector enterprises (Harris-White, 2010; Heintz, 2012; ILO, 1972; Mead and Morrison, 1996; van Elk and de Kok, 2014) are size, organisation, location, capital intensity, skills employed, production processes, and legal status. However, the ILO

(1972, p. 6) enumerates seven criteria for identifying enterprises in the sector as follows: 'ease of entry, reliance on indigenous resources, family ownership of enterprises, small scale of operation, labour-intensive and adapted technology, skills acquired outside the formal school system, and unregulated and competitive markets'.

Although there seems to be a wide acceptance of these criteria as a frame of reference, it is important to note that there is disagreement on the actual characteristics of informal sector enterprises amongst scholars. Some criticise the seven criteria partly due to developments since the Kenya study was carried out (1972). For example Palmer (2004, p. 22) asserts: 'There is little agreement over the actual characteristics of the informal sector and academics, policy makers and practitioners have yet to develop a complete understanding of its behaviour.' The author further argues that the earlier studies failed to appreciate the fact that both mainstream and informal sector entrepreneurs often exhibit similar characteristics, especially amongst upper tier informal sector entrepreneurs, comprising mostly small and micro-enterprises.

Notwithstanding the disagreement between scholars, a recent study by Bigstein et al. (2000, p. 21) in Kenya empirically confirmed some of the characteristics suggested by the ILO's (1972) study, finding that informal small firms are more likely owned by indigenous entrepreneurs who are younger, pay no taxes, are less capital-intensive, under restricted financial conditions, and have less well educated managers.

There tends to be consensus among the majority of scholars on the under-listed characteristics of informal sector enterprises: limited market coverage (e.g. Pitamber, 1999), traditional modes of production (e.g. Nelson and Bruijn, 2005), informal operational structures (e.g. Naldi et al., 2010; Palmer, 2004), competitive market structures, especially for homogenous products (e.g. Palmer, 2004), non-compliance with the formal regulatory institutional provisions, in the form of registration and reporting of income (e.g. Harris-White, 2010; Mead and Morrison, 1996; Nelson and Bruijn, 2005).

2.4 Theoretical explanations of informal entrepreneurship

Diverse theoretical approaches and perspectives have been used in researching entrepreneurship more generally and informal entrepreneurship in particular. For example, Verheul et al., (2001) adopt an eclectic theoretical approach due to its recognition of the possibility that the development and of growth entrepreneurship can be a result of a combination of many factors. Many studies (e.g. Shahid, 2013; Thai and Turkina, 2014; Verheul et al., 2001) have found that multiple factors are responsible for individuals to engage in the informal entrepreneurship. As such it has now been widely recognised that, for effective and comprehensive understanding of informal entrepreneurship a multidimensional approach is necessary (Shahid, 2013).

2.4.1 Theories of informal economy/entrepreneurship

Four different perspectives based on alternate theoretical positions dominate explanations for informal entrepreneurship: modernism, structuralism, neo-liberalism, and post-structuralism. Each is briefly discussed below.

Modernist perspective

Informal entrepreneurship is viewed by some as a traditional, pre-modern, and pre-capitalist mode of production and accumulation (Henken, 2005; Williams and Gurtoo, 2012). Some scholars (e.g. Lewis, 1954) have assumed that the informal economy will be absorbed into the formal economy over time, with modern industrial development in third-world countries. Lewis (1954) hypothesised that structural changes in economic development in third-world countries would transform the traditional by its absorption into the modern economic system, as happened in Western nations during the industrial revolution (Becker, 2004; Chen, 2005). This theoretical assumption became dominant in the late 50s to the early 70s and persuaded certain governments and development agencies to focus policy on modernising the traditional pre-capitalist sector (Potts, 2008).

However, more recently a growing volume of literature has revealed that the informal economy in general (Chen 2004, 2012, Becker, 2004; ILO, 2002; Portes et al., 1989; Potts, 2008; Skinner, 2005) and informal entrepreneurship more particularly (Abumere et al., 1998; de Soto, 2000; House, 1984; Morris et al., 1995; Williams, 2006) is growing in many regions (Williams et al., 2012b). Informal entrepreneurship is on the increase in both industrialised and non-industrialised nations (Williams and Gurtoo, 2011a). Persistent growth refutes its depiction as a residual phenomenon which would disappear with economic advancement. This has consequently led to theoretical reformulations.

Modernist theory has received much criticism as a result of these inherent weaknesses that the phenomenon is neither temporal nor transitory (Meagher, 1995; Mulinge and Munyae, 1998; Potts, 2008). The view of informal economy as an independent autonomous sector has also received wide-ranging criticism. Peattie (1980, p. 28), for example, disagrees with any separatist ideas, positing that 'to conceive the system as "two sectors" seems inappropriate because in so many categories of products, probably the greater majority, there seems to be a continuum from largest to smallest' and there exists some bridging mechanism that works in between levels of activities. Bromley (1978, p. 1034) argues that viewing the sector as autonomous 'neglects the complex competitive and subordinate relationships of small enterprises with the larger enterprises', and further adds that the dichotomy of formal and informal sectors is erroneous, since many participants engage in both. Also, in operation, complementarities exist, such as serving as dealers and distributors of formal firms' products and recycling their waste products. The separatist view is currently considered to be rather archaic (Chen et al., 2004), while Hart (2001, p. 16) argues that dualism 'has outgrown its usefulness'

Nevertheless, the modernism thesis still applies to informal entrepreneurs who view their participation as a traditional economic endeavour transferred from generation to generation. Following review of the modernist perspective, three new theoretical ones have emerged, namely structuralism, neo-liberalism, and post-structuralism (Williams et al., 2012b), which are discussed next.

Structuralist perspective

The structuralist school of thought was propagated by Moser and Garry in the late 70s and by Portes and colleagues in the late 80s. This moves away from residual traditional systems (economic dualism) to subordinate economic units (Castells and Portes, 1989), rejecting the former thesis in favour of structural dependency and exploitation. Informal entrepreneurship is viewed as a sector that is dependent on the formal and performs subordinated functions reducing the costs of the formal industries, thereby increasing their competitiveness (Castells and Portes, 1989; Portes and Schauffler, 1993). Proponents of this therefore disregard the separation of the informal from the formal economy. They uphold that the two economies are functionally related, hence “structuralist”, in view of the complex ‘structure of formal and informal relationships’ (Portes and Schauffler, 1993, p. 48).

The structuralist school’s central arguments lie in the analysis of the structural relationship of the formal and informal sectors as components of the same economic system (Portes and Schauffler, 1993). Informal entrepreneurial activities are linked with mainstream entrepreneurship in the subcontracting of the informal entrepreneurs by the formal sector, and in product marketing, by appointing informal entrepreneurs as distributors, dealers, and retailers, along with middlemen and agents in the purchase of locally produced raw materials.

Like modernism, this theory highlights the negative aspects of informal entrepreneurship, in servitude to the formal sector and doing so due to lack of alternative income (Fernández-Kelly and Gercía (1989). Participants are viewed as survivalists conducting their activity out of necessity, being excluded from the formal sector (Williams and Gurtoo, 2012a). Informal entrepreneurs are viewed as unwilling and necessity-driven, satisfying needs by providing cheaper rates and substituting products found in formal markets for subsistence.

Structuralism has also been criticised for too much attention to such issues of “servitude” by subcontracting to formal firms and subordinate relationships between the two sectors. Such attention ignores the economic roles of many informal entrepreneurs engaged in different types of entrepreneurial activities.

Neo-liberal perspective

The neo-liberal school devotes much attention to the relationship between the informal economy and the formal regulatory environment (Chen, 2005). It rests on an ideological stance centred on economic liberalism, public-policy efficiency, and democratisation (de Soto, 1989). It was championed by

Hernando de Soto whose central hypothesis is that costs of formalisation and over-regulation impede informal entrepreneurs. Deregulation and simplification of the registration procedure lead to economic freedom and entrepreneurship in developing countries. Neo-liberal scholars (e.g. de Soto, 1989; Ghersi, 1997) argue that the sector has enormous prospects for growth but is constrained by government regulations supporting mercantilist interests (de Soto, 1989, p. xix).

Informal entrepreneurship is considered the only alternative left to less privileged citizens as a result of state support to mercantilist arrangements (Gheresi, 1997). According to Ghersi (p. 3) informality 'is a situation whereby people want to work legally, but cannot' owing to the heavy cost of formalisation and bureaucracy, which makes it almost impossible for many to legally become entrepreneurs. Hence, de Soto (1989) describes the activity as the illegal pursuit of licit and legitimate ends. de Soto believes that the phenomenon is not caused by demographic changes or labour-market dynamism, as suggested by modernists and structuralists, but in reaction to stiffer government regulations (Biles, 2008). Therefore, engagement in informal entrepreneurship is viewed as an entrepreneurial pursuit that promotes economic growth but is suppressed by cumbersome regulations (de Soto, 1989; Ghersi, 1997).

Neo-liberalism sees informal entrepreneurship as an outcome of rational behaviour in avoidance of government regulations (AfDB, 2001; de Soto, 1989; Ghersi, 1997). It further assumes that informal entrepreneurs are highly productive but retarded by those same regulations, conceiving of informal entrepreneurs as rational economic actors who exert effort and commit their resources and economic intelligence to operate informally, despite the possibility of penalties following detection. Finally, it contends that a free market economy would make informal entrepreneurship flourish, resulting in growth and development.

Instead of the negative portrayal of informal entrepreneurship, the neo-liberal theory depicts the sphere positively. It considers the activity to reflect voluntary decisions to operate outside the formal arrangements (Dellot, 2012; de Soto, 1989; Ghersi, 1997) seeing individuals as "heroes throwing off the shackles of burdensome state" (Williams et al., 2012b, p. 6) with attributes of ingenuity and resilience, despite stringent regulations.

Despite the celebratory view of neo-liberal economists, the school has been criticised for concentrating on the entrepreneurial activity while ignoring the existence of agents of the formal firms' in the sector (Meagher and Yunusa, 1996). Consequently, many scholars allege that there is a bias in its theory, given the size of the need-based entrepreneurs engaged in survival activities that form the majority of the participants. Most participants classified as independent and self-employed entrepreneurs are in fact acting as agents and middlemen or appointed distributors and dealers for formal firms (Meagher, 1995; Meagher and Yunusa, 1993). The school of thought has also been accused of hiding the

economic causes of informality, such as labour surplus, poor access to capital, low skills, and inadequate education (Rakowski, 1994).

Post-structuralist perspective

The proponents of the post-structuralist perspective (e.g. Ferman et al., 1987; Gaughan and Ferman, 1987; Paettie, 1980) view informal economic activity on a broader social spectrum, beyond an economic one. This has attracted little attention, with the dominance of structuralism and neo-liberalism in the 80s and 90s.

According to Biles (2009) a post-structural perspective attributes agency to informal economic actors and dismisses the portrayal of informal entrepreneurship as simply traditional, exploitative, or liberating, emphasising non-market-motivated exchanges taking place informally with main instruments of exchange such as reciprocity, unpaid community exchange, mutual aid, paid favours, community solidarity support and self-provisioning. Gaughan and Ferman (1987, p. 15) conceptualise entrepreneurship in the informal economy as networks of pre-industrial economies that “continue to serve specific needs in industrial and post-industrial societies, filling in where the conventional economy falls short or fails”.

Post-structuralism, like neo-liberalism, portrays informal entrepreneurship positively, viewing it as a choice and self-selected. However, instead of portraying participants as rational economic actors, it sees them as primarily social actors engaged in the endeavour voluntarily, as a lifestyle choice (Williams and Nadin, 2010). It ascribes agency to participation, seeing informal entrepreneurship as an activity for social, redistributive, resistance, or identity reasons (Biles, 2008; Whitson, 2007; Williams and Gurtoo, 2011a) in contrast to the conventional depiction of the phenomenon as always being purely financially motivated. Informal entrepreneurship is thus mirrored on a broader and thicker social spectrum instead of a narrower economic perspective. Proponents argue that many activities in the sector are based on social ties of community, friends, families, and acquaintances and “may not involve an immediate expectation of financial return” (Gaughan and Ferman, 1987, p. 15).

The post-structuralist perspective has been criticised for placing undue emphasis on the social logic of informal entrepreneurship more than the conventional economic logic by placing a high premium on the role of socio-cultural and politico-economic relationships (Biles, 2009).

Table 2.2: Summary of key assumptions of the four dominant theories of informal economy/entrepreneurship

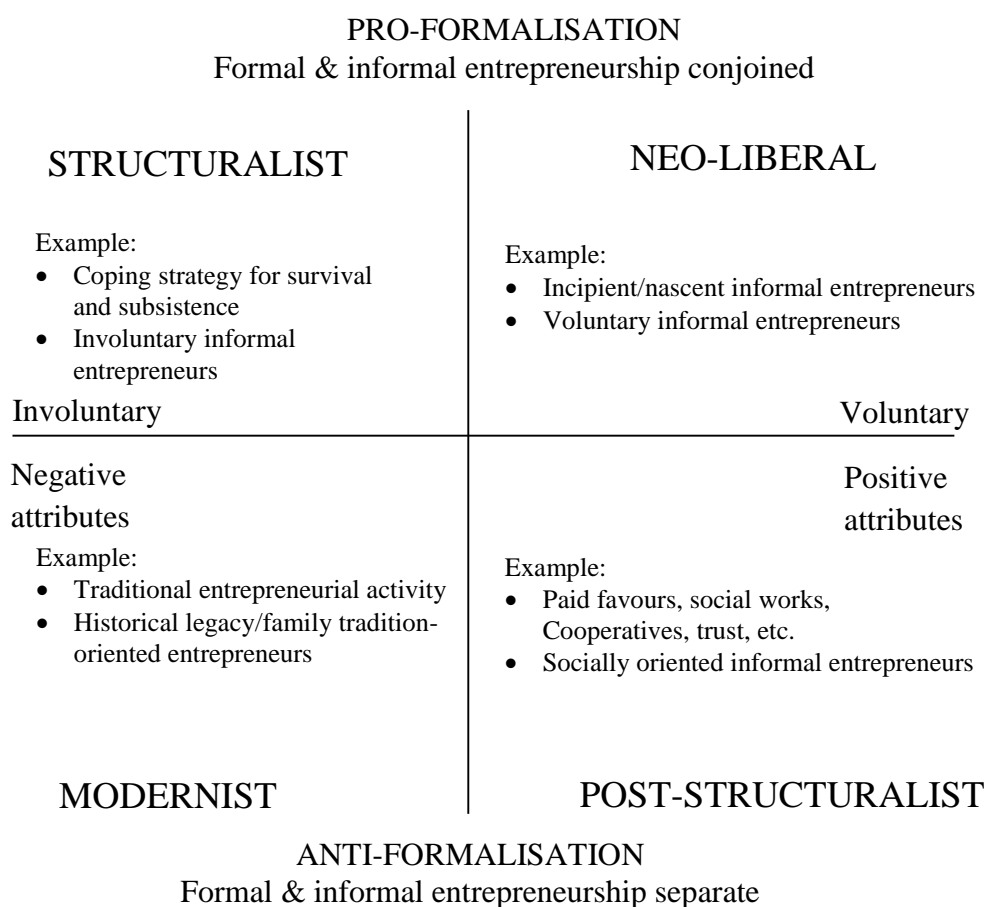
Theoretical perspectives	Key assumptions
Modernism	<ul style="list-style-type: none"> • Residue of pre-capitalist/traditional economy yet to transform to modern economic system • The practice will disappear with economic and industrial development in the developing countries • Unproductive, retrogressive, and signs of underdevelopment • Relies on traditional modes of production • Negative depiction of informal entrepreneurship as antithesis to modernity
Structuralism	<ul style="list-style-type: none"> • Upholds that informal entrepreneurship and the formal economic system are structurally linked • Subsistence and coping strategy of those denied opportunity in the formal job market • Negative depiction as necessity-driven entrepreneurial activity • Integral part of modern economy which persists and expands as a response to high demand for cheap goods and services (Ram et al. 2007) • Exploitative relationship to reduce costs of production and increase market competitiveness
Neo-liberalism	<ul style="list-style-type: none"> • Outcome of excessive government regulations • Voluntary actions to avoid registration protocols • Participants are rational economic actors • Informal entrepreneurs are heroes operating informally despite the risk of detection by the authorities • Dynamic entrepreneurs but stifled by government rules and regulations for vested interest of mercantilists (de Soto, 1989) • Potential for economic contribution and budding entrepreneurs (Gherzi, 1997) • Positively depicted as opportunity-driven and participation is out of choice
Post-structuralism	<ul style="list-style-type: none"> • Recognises the existence of non-market-motivated exchange (social entrepreneurship) conducted for social redistributive reasons • Cultural, socio-economic factors are strong moderators of informal entrepreneurship • Lifestyle and social networks influence participation in the sphere • Identity, political values, and resistance practices against formal waged employment (Williams and Gurtoo, 2012) • Positive reading as voluntary chosen endeavour

To sum up, the review of the four perspectives has established that each school subscribes to distinct ideologies and perspectives, emphasising certain characteristic features of informal entrepreneurship and reflecting different assumptions. These are the basic reasons for contrasting views about the activity. As such no single articulation fully captures the diverse nature and different manifestations of

the sector. Bigsten et al. (2004, p. 702) aptly described this panorama, stating: ‘For certain theorists it is either marginalized or exploited and for others it is either dual or complementary. Still, to others it is either a poverty trap or a seedbed for new enterprises.’ Most commentators have therefore viewed these four theorisations as incompatible; informal entrepreneurship has been largely depicted as an activity conducted with a single and distinctive rationale, paying little attention to other logics (Ladan and Williams, 2014).

Even though a given explanation may be more relevant to some groups of participants than others, it is important to be aware that there are some participants who might fit two different explanations, with more than a single rationale for engaging in the activity which cannot be described using a universal generalisation (Williams et al., 2013b). In place of potentially misleading generalisations, Williams et al. (2012b) have proposed an interactive approach in which the various representations of informal entrepreneurship are not treated as rivals that contradict each other, but rather as valid depiction of particular types of informal engagement, which need to be incorporated for a clear understanding of the heterogeneous and diverse nature of the activity. The model is presented in the figure below.

Figure 2:2: Multidimensional theoretical perspectives of informal entrepreneurs



Source: Williams, et al. (2012b) Evaluating competing theories of informal entrepreneurship: some lesson from Ukraine. *Journal of Entrepreneurship Research*, 18 (5); 528–43.

The integrative approach is useful in facilitating clear understanding of the contrasting discourses used in depicting the phenomenon. The model situates the four theoretical assumptions on a matrix that ranges from activities that are relatively separate to those strongly interconnected with the formal sector. It also shows that informal activities are on a continuum of positive and negative attributes or voluntary and involuntary participation. Several commentators (Chen, 2005; Chen et al., 2004; Peattie, 1980; Tokman, 1978) have supported the integrative approach, allowing movement from one type to another, with the possibility of transition and combination of characteristics of two or more perspectives by an individual entrepreneur.

Recently, a small number of analysts have begun to adopt integrative explanations, arguing that modernist and structuralist explanations reflect involuntary participation, while neo-liberal and post-structuralist explanations reflect voluntary engagement in the activity (Ladan and Williams, 2014). This supports the idea that both explanations are valid for different groups of informal entrepreneurs. However, few attempts have been made to explicitly examine the relevance of the four main theories in the literature with wide applicability in either developed or developing world regions. In the context of Nigeria, and more particularly in Zamfara state, there is no study to the knowledge of the researcher that evaluates the relevance of these theories to informal entrepreneurs, a gap this study seeks to fill.

2.4.2 Institutional theoretical explanations of informal entrepreneurship

Institutional theory is among the prominent theoretical approaches to studying (informal) entrepreneurship (David et al., 2013). This might be owing to the broader perspective of institutional theory, its contribution ‘to conceptual and theoretical clarity’ (Meagher, 2009b, p. 8) and more insights conveyed in the conduct of informal entrepreneurship, its causes and drivers for engagement. It has been argued that explaining the phenomenon from the perspective of institutional theory is critically relevant for a fine-grained understanding of the nature and different levels at which informal entrepreneurial activity takes place within socio-cultural and economic institutional contexts (Williams and Vorley, 2014). Some scholars (e.g. Meagher, 2007; Salimath and Cullin 2010; van de Ven, 1993) uphold that studying (informal) entrepreneurship, exclusively focusing on the characteristics and behaviours of entrepreneurs without considering the social, cultural, economic, and political environment is deficient, since economic activity reflects the nature of institutions in that society. Institutional environments therefore influence the type of entrepreneurial activity that will prevail in a given society. In explaining this causal relationship, Thai and Turkina (2014) show that informal entrepreneurship is determined by the total of economic opportunities and resources, the quality of

public institutions and governance, and the socially supportive culture, norms, beliefs, and value systems of a society.

Another advantage is that institutional theory uncovers the dynamics of informal entrepreneurship by tracing the way it has been formed and shaped rather than in terms of a particular ideological stance of different fields (Biles, 2009). Institutional theory conjoins socio-economic, cultural, political, and historical factors in understanding the development and dynamics of the phenomenon which “capture the dimensions of both continuity and change” (Meagher, 2005, p. 233) portraying a more holistic picture of informal entrepreneurship.

Two broad streams of institutional theory predominate in the entrepreneurship literature, i.e. neo-institutional economic theory (e.g. North, 1990; Williamson, 1985) and new institutionalism of sociological/organisational institutional theory (Di Maggio and Powell, 1983, 1991; Scott, 1995, 2014; Thornton and Ocasio, 1999, 2008). While the former concentrates on forms of economic organisation that maximise incentives and reduces transaction costs, uncertainty, and operational constraints (Dolley, 2005), the latter instead focuses on achieving legitimacy, reducing restrictions, maximising incentives, and achieving stability by conforming to institutional orders (Bruton et al., 2010). In the present research, both theories are integrated but limited to the neo-institutional economic view of North (1990) and the sociological institutional view of Scott (1995.)

The integration is intended to enable explanation of the complex nature of the drivers to informal entrepreneurship in developing countries. The fusion of both views (North, 1990; Scott, 1995) is required for fuller understanding of institutions and their influence on socio-economic behaviour of society (Roxas and Chadee, 2012). While economic institutional theory illuminates how economic behaviour of the society is formed and shaped by both formal and informal institutions and their influence on economic change, performance and development, organisational institutional theory explains the institutional mechanisms that generate institutional orders that govern socio-economic behaviour. The combination of the two theories allows presentation of a comprehensive and holistic view of informal entrepreneurship from both economic and sociological institutional perspectives. Moreover, economic institutional theory presupposes a relationship between organisations and their external environments, which resonates with the new institutionalism in the field of the sociology of organisation (Scott, 2014). The weaving of the two perspectives in explaining entrepreneurial behaviour has been adopted in previous studies (e.g. Stephan et al., 2015; Vaciana and Urbano, 2008).

Among institutional economic theorists, North (1990) and Williamson (1985) share the assumption that economic transactions are organised to lower transaction costs and maximise incentives through institutional arrangements. However, they diverge in the recognition of the theory of state and ideology by North (1990) but not by Williamson (Gorrenge, 1987). In addition to this limitation, Williamson’s (1985) theoretical approach has been criticised for placing excessive emphasis on

organisational economic governance structures while under-estimating the influence of norms and social structure on economic behaviour (Zald, 1987), power relations (formal authority relations and regulatory roles) in shaping the behaviour of economic organisations (Bowman, 1989) and using a dis-embedded approach to economic life by only recognising institutions created by economic actors at the expense of socio-cultural arrangements (Granovetter, 1985). North's (1990) approach has a broader perspective by recognising the role of informal (historical and cultural practices) and formal (state) institutions in regulating socio-economic behaviour (Ahmadi, 2003; Gorringer, 1987) as opposed to Williamson's (1985) approach which interprets economic behaviour within the boundary of organisation (Gorringer, 1987). Based on the above, North's (1990) view of institutional economic theory seems to offer richer insights for this thesis because of its broader perspective and embedded conception of formal and informal institutional influences on economic behaviour in a given society.

Akin to the neo-economic institutional theoretical approaches of North (1990) and Williamson (1985), the organisational theories of Di Maggio and Powell, 1983, 1991, Scott, 1995, 2014 and Thornton and Ocasio, 1999, 2008) have slightly different interpretations on the pillars of institutions. Each of the aforementioned scholars have put forward three slightly different dimensions of institutional pillars (e.g. Di Maggio and Powell, 1983 emphasised coercive, normative and mimetic; Scott, 1995 accentuated regulative, normative and cognitive; Thornton and Ocasio 1999, stressed structure, normative and symbolic). This thesis adopts Scott's (1995) pillars of institutions for three reasons. First, the literature suggests their wider applicability in the field of entrepreneurship (e.g. Acs et al., 2014; Amine and Staub, 2009; Brutton et al., 2010; David et al., 2013; Stephan et al., 2015; Vaciana and Urbano, 2008). Secondly, given that the study is on informal entrepreneurs who are conventionally viewed as unregulated, the regulative dimension seems to be more suitable and encompassing of all sides (formal and informal institutions). Thirdly, the role of cognition in entrepreneurship literature and theorisation is widely acknowledged (e.g. Baron, 2004; Busenitz and Lau, 1997; Mitchell et al., 2002).

2.4.2.1 Application of neo-institutional economic and organisational institutional theories to informal entrepreneurship

North's (1990) neo-institutional economic theory assumes that economic actors are governed by the "rules of the game" in a society, man-made devised constraints that mould human interaction (North, 1990, p. 3). Entrepreneurs therefore legitimise their operations by conforming to these rules in a society to maximise incentives, reduce transaction costs and uncertainty, and avoid certain operational constraints (Donnelly, 2005). The theory interprets economic institutions from the perspectives of the state, economic organisation, and ideology (Bowman, 1989).

It postulates that entrepreneurs follow the rules so as not to deviate from the acceptable way of doing things in their environment. Keeping to the rules provides legitimacy (Roxas and Chadee, 2012) which accords an economic actor the right to exist, operate, and conduct business activity in an acceptable way (Bruton et al., 2010). In this way, economic activities in all societies are influenced and set out by institutions formally or informally (Bruton et al., 2010; Roxas and Chadee, 2012; Salimath and Cullin 2010; Williams and Shahid, 2014) and are combined to shape the entrepreneurial behaviour in a given economic environment, society, or nation (Williams and Vorley, 2014).

According to North (1990), institutions constitute formal and informal structures and arrangements. They can be described as formal or informal, depending on their origin, nature, and embodiments (Salimath and Cullin, 2010). Formal institutions have written and codified rules and constitutions, laws, by-laws, and charters (North, 1990) enforced by designated official channels (Estrin and Prevezer 2011; Helmke and Levisky, 2004; Puffer et al., 2010; Roxas et al., 2007). Informal institutions have socially shared, unwritten, and uncoded rules and regulations that stem from cultural norms, belief systems, traditions, customs, social mores, and values and codes of conduct of a community or society (North, 1990). Unlike formal structures, the informal ones are established, shared, and enforced through unofficial channels that shape and define the actions of the people in a community or society, in both societal and economic contexts (Estrin and Prevezer, 2011; Helmke and Levisky, 2004, Tonoyan et al., 2010; Vaciana and Urbano, 2008; Williams and Vorley, 2014). The distinction between the two types of institutions as noted by North (1990, p. 146), can be described as a continuum from norms, customs, and a cluster of mores at the one end, to codified and written laws, rules, and regulations at the other (Vaciana and Urbano, 2008).

Economic activities, such as informal entrepreneurship, cannot be fully explored without taking into account the roles played by both the formal and the informal institutional context of the environment in which they take place (Baumol, 1990; Bruton et al., 2010; North, 1990; Salimath and Cullin, 2010; Tonoyan et al., 2010) since individuals and organisational behaviours are shaped by the prevailing institutional framework (DiMaggio and Powell, 1983, 1991). This argument has the support of Vaciana and Urbano (2008, p. 373), who suggest: 'The process of becoming an entrepreneur is highly conditioned by the formal and informal institutions.' Consequently, firms and their owners operate within sanctions and constraints imposed by their institutional environment. Therefore, formal and informal institutions play significant roles in informal entrepreneurial activity. Meagher (2007) argues that the economic activity of any society reflects the nature of the institutions existing in that society.

Organisational theory on the other hand assumes that institutions provide the bases and mechanisms that generate socio-economic behaviour. In the field of entrepreneurship, institutional forces wield pressures which require firms and entrepreneurs to conform to certain arrangements in order to avoid restrictions, attain legitimacy and incentives. According to Scott (2014) institutional mechanisms in

regulative, cognitive, and normative forms exert influence on socio-economic behaviour. Those three elements constitute the three institutional pillars (Scott, 2014). Each focuses on different but related institutional frameworks ‘that provide stability and meaning in social behaviour’ (Scott, 2014, p. 56) and form the basis of legitimacy in a given institutional environment.

The regulative institutional pillar is closely linked to regulations from constituted authorities that sanction individuals’ and firms’ actions (Brutton et al., 2010; Scott, 2014). It constitutes regulations comprising policies of the authorities that affect individual behaviour (Acs et al., 2014; Scott, 2014; Veciana and Urbano, 2008). These form the basis for approved or disapproved behaviour through the administration of rewards and incentives or punishments and sanctions which regulate individual entrepreneurs’ behaviour, promoting certain behaviours or transactions (Baumol, 1990; Bruton et al., 2010; North, 1990; Roxas and Chadee, 2012). Enterprises are legitimised by submitting to established regulations, i.e. operating in accordance with legal and quasi-legal provisions and requirements (Brutton et al., 2010; Scott, 2014). Also, as argued by Baumol (1990), the regulations determine the allocation of entrepreneurs into three forms: the productive, unproductive, and destructive.

Productive entrepreneurship is such that increases economic efficiency and innovation. This type of entrepreneurship contributes positively towards national outputs and leads to economic growth and development. Unproductive entrepreneurship is a type that brings a net reduction in social income and wealth in the economy (Baumol, 1990; Coyne et al, 2010; Sautet, 2011). Its manifestations include rent seeking, tax evasion, smuggling and corrupt practices among others. On the other hand, destructive entrepreneurship refers to criminal, illicit and illegal types of entrepreneurial activities which involve the pursuit of profit regardless of the means used (Baumol, 1990), e.g. drug-dealing, human trafficking and prostitution, illegal cyberspace, and producing or selling of products that can harm customers. The last two types contribute negatively to the economy resulting in economic stagnation and underdevelopment (Baumol, 1990; Coyne et al., 2010; Sautet, 2011). In a given economy, regulatory structures define the allocation to these three forms of entrepreneurship.

The regulative institutions play a prominent role in determining the allocation of entrepreneurship into the formal or informal sectors (Puffer et al., 2010) because of incentives given to the regulatory compliant (formal entrepreneurs) through government support, while the non-compliant (informal entrepreneurs) are sanctioned and punished by denial of government incentives and supports. Such a lack of recognition and access to formal financial institutions among others contributes to the increasing rate of participation in informal entrepreneurship (Ishengoma and Kappel, 2006; Meagher and Yunusa, 1993; UN-HABITAT, 2006).

The cognitive institution pillar relates to ‘the shared conceptions that constitutes the nature of social reality and create the frames through which meaning is made’ (Scott, 2014, p. 67). The cognitive pillar therefore constitutes socially constructed assumptions and conceptions shared in a society that makes

sense of its social reality (Thornton and Ocasio, 1999). It is a socio-culturally shared understanding of social reality, its meaning, and interpretations by individuals in conjunction with their perception of acceptable behaviour based on a common social frame of reference (Greenwood et al., 2008; Roxas and Chadee, 2012). It also relates to the influence of individual characteristics and values and their perception of their capabilities (Acs et al., 2014). However, the influence is stronger on the individual than to the social level, owing to influence of personal characteristics and preconscious behaviour, and inference from interpretation of a given social phenomenon (Bruton et al., 2010).

Finally, *the normative institutional pillar* is connected to a group/community or socially approved behaviour and the manner in which people conduct themselves. It relates to roles and expectations among members (Puffer et al., 2010) and emphasises the moral basis of legitimacy which promotes seeking incentives and avoiding constraints by complying with the normal procedure in a community or society (Bruton et al., 2010; Puffer et al., 2010). It comprises societal belief systems, approved behaviours, values, mores, cultural norms, customs, and traditions shared among individuals (Acs et al., 2014; Scott, 1995, 2014; Puffer et al., 2010). These arrangements constitute the nexus of social interactions that inspire, guide, and shape the behaviour of the groups, community, or society. It hence stresses the importance of a culture and its influences on values and practices (Acs et al., 2014; Puffer et al., 2010; Veciana and Urbano, 2008). It has been argued that social acceptance of economic activity (informal entrepreneurship) will legitimise such behaviour regardless of its lack of compliance to the regulatory framework of the formal institutions (Acs et al., 2014; Baumol, 1990; Bruton et al., 2010; Thai and Turkina, 2014; Webb et al., 2009). For example, Thai and Turkina (2014) provided empirical evidence that socially supportive culture encourages informal entrepreneurship, although often discouraged by the regulatory authorities in some contexts.

The normative institutional pillar exerts an influence on social obligation and expectations from firms and individuals in a society. For example, in Nigeria, Igbo normative values encourage and support entrepreneurship (Ket de Vries, 1977; King, 1995) and implicitly discourage formal employment by promoting apprenticeship training rather than formal schooling among male children. In the Igbo community, there are more girls than boys in schools (Remi, Chidi and Ewemooje, 2011). Some societies implicitly discourage entrepreneurship and encourage corporate employment due to the lack of encouragement to would-be entrepreneurs (Bruton et al., 2010).

It is pertinent to understand that informal entrepreneurship is influenced by the institutional and environmental context (Kets de Vries, 1977; Meagher, 2007; Salimath and Cullin, 2010; Thai and Turkina, 2014). This suggests the embedded nature of informal entrepreneurial activities in the traditional, cultural, legal, and political institutions prevalent in the society. Informal entrepreneurship can be seen as determined by socio-economic, cultural, and political forces in an environment. Therefore, a range of institutional forces is combined to shape the informal entrepreneurial behaviour.

This argument suggests that various institutional forces, formal and informal (North, 1990), regulative, cognitive, and normative (Scott, 2014) play differing roles towards the development of informal entrepreneurship. Any meaningful explanation of it must not neglect the roles of institutions in its development (Puffer and McCarthy, 2011). It is then important to understand that both formal and informal institutional environments have a significant impact on entrepreneurial intentions, aspirations and opportunities which consequently affect individuals' choices of operating formally or informally (Bruton et al., 2010). Regulatory institutional frameworks and cultural norms, value and belief systems, social networks, and collectivism drive informal entrepreneurial activities (Bruton et al., 2010) and play a tremendous role in shaping behaviours, decisions, and strategic choices of informal entrepreneurs.

2.4.2.2 The drivers of informal entrepreneurship from institutional theoretical perspectives

From the institutional theoretical perspective, the development, growth, and persistence of informal entrepreneurship are determined by the prevalence of many institutional frameworks, structures, and arrangements. Four different but interconnected views were proposed by scholars. For some (Bruton et al., 2010; Puffer et al., 2010) it is a result of formal institutional voids. Others (Vu, 2013; Williams et al., 2015; Williams and Shahid, 2014; Williams and Vorley, 2014) underscore the role of institutional asymmetry and incongruence. Still others (Meagher, 2007; Seidler, 2011) accentuate legal pluralism. Yet others (Lyon and Porter, 2009; Meagher, 2005, 2009; Puffer and McCarthy, 2011) give credence to the role of an informal cultural cognitive and normative institutional perspective. In the African context, scholars (e.g. Meagher, 2007) have argued from four different perspectives regarding what might have fuelled the growth and development of informal entrepreneurship over a broad range of debates on the influence of structure and agency (Meagher, 2007).

Institutional asymmetry perspective

The institutional asymmetry perspective views the development of informal entrepreneurship as an outcome of asymmetry and incongruence between formal and informal institutions (Vu, 2013; Webb et al., 2009; Williams et al., 2015; Williams and Shahid, 2014; Williams and Vorley, 2014). For example, Williams and Vorley (2014, p. 2) considered it to be an outcome of 'misalignment between formal and informal institutions' which developed out of inequity, discrepancy, and uneven government attention and support given to formal and informal institutions, while Vu (2013) argues that institutional asymmetry arises due to diverging views between formal and informal institutions on what constitutes legitimate economic behaviour. Therefore, the different orientations between formal and informal institutions are what shape the size of the informal entrepreneurial activities in a given society. Williams and Shahid (2014) suggest that the wider the differences between the two institutions, the higher the rate of entrepreneurs operating in the informal sector.

Other factors causing asymmetry and incongruence between the formal and informal sectors are different regulatory policies on informal entrepreneurship in some countries (Heyes, 2007) and regulatory incoherence (Seidler, 2001). The incoherence causes numerous problems for entrepreneurs in Nigeria and drives many to start or continue informally. For example, the laws regarding property rights, particularly land use and ownership, are incoherent with the powers and jurisdiction of federal, state, and local government (formal institutions) on the one hand and traditional rulers (informal institutions), on the other (see Seidler, 2011).

Formal institutional voids perspective

The perspective of formal institutional voids is the most popular view as to why entrepreneurs, particularly in developing countries, operate informally (Meagher, 2007). Informal institutions, as argued by Meagher (2007), Puffer et al. (2010); and Welter (2007), serve as mechanisms for filling in the gaps left by formal institutions. Therefore, in most developing countries entrepreneurs often rely on informal institutional frameworks and arrangements due to underdeveloped, ineffective, and inefficient formal institutions (Autio and Fu, 2014; Baumol, 1990; De Castro et al., 2014; Llassu et al., 2009; Roxas and Chadee, 2012; Seidler, 2011; Smallbone and Welter, 2001). In this way, weak formal institutions and malfunctioning states encourage the formation and perpetuation of informal arrangements which often function in parallel with the state. Scholars argue that informal entrepreneurship arises not only because of the historical, cultural, and social context, but also due to the flaws of inadequate formal institutional provisions (Meagher, 2007; Puffer et al., 2010; Puffer and McCarthy, 2011). This gives rise to the socio-cultural practices of the people having a significant influence on their economic behaviours, such as informal entrepreneurship.

It has also been argued by several scholars (Autio and Fu, 2014; Estrin et al., 2013; Estrin and Prevezer, 2011; Helmke and Levitsky, 2004; Puffer et al., 2010; Puffer and McCarthy, 2011) that dysfunctional formal institutional contexts foster heavy reliance on informal institutions, encouraging informal entrepreneurship either by providing substitutes for or to complement inadequate formal arrangements. For example, malfunctioning legal systems often result in disregard for formal legal provisions. Similarly, inadequate access to formal financial services makes informal entrepreneurs rely on an informal financial system in Nigeria (see Abegunde, 2011). Also, weaknesses of state security led to the creation of vigilante groups. These have been operating in every city due to the inefficiency of services such as the police (Porter et al., 2005). Many informal institutions were formed to compensate or substitute for deficient formal legal, financial, and security systems (see Williams and Vorley, 2014, on Bulgaria). Meagher (2007, p. 411) notes that some informal institutions ‘are regarded as a “second best” option in the context of malfunctioning states’. This reinforces Helmke and Levitsky’s (2004) proposition that informal institutions interact with formal ones either as a complement or as a substitute (see also Tonoyan et al., 2010).

The absence or deficiency of formal institutions relevant to entrepreneurship, such as property rights, the prevalence of rule of law, social inclusion, protection, and equal access opportunities and a level playing field (UNDP, 2004; USAID, 2005) creates much uncertainty and increases the costs of operating a formal business by making compliance difficult. In this type of institutional environment entrepreneurs tend to reduce uncertainty by relying on, and backing up their transactions with, informal institutional arrangements (Ahlstrom and Bruton 2002; Puffer et al., 2010; Tonoyan et al., 2010) which promote the growth and increase the rate of participation in informal entrepreneurship.

Legal pluralism perspective

The third view focuses on legal pluralism and argues that informal entrepreneurship activity, particularly in former colonised states, continues to grow rapidly due to the co-existence of dual institutional legal frameworks, i.e. traditional, religious, and imported legal systems (Adele et al., 2015). According to von Benda-Beckmann and von Benda-Beckmann (2006, p. 14) this denotes the co-existence of ‘more than one body of law within the same social order or geographical space’ simultaneously. Legal pluralism manifests co-existence of two different orders: from formal and informal institutions. This results in the apparent use of different regulatory provisions and arrangements (Vu, 2013). Consequently, different views are held by the two different institutions based on their perception of the legitimacy of a particular type of economic behaviour. In this sense, the differing legal orientations are seen as major factors that shape the size of informal entrepreneurial activity.

Cultural cognitive and normative institutional perspective

Finally, the informal cultural-cognitive and normative institutional perspective considers informal entrepreneurship as a product of social networks and relationships, trust, norms, customs, tradition, and resistance culture. The approach gives prominence to the role of cultural constraints in shaping human interaction (Bruton et al., 2010; Meagher, 2005, 2009; Puffer and McCarthy, 2011; Scott, 2007; Thai and Turkina 2014). It focuses on roles of socio-cultural factors in shaping informal entrepreneurial behaviour and hence underscores the crucial position of cultural values in fostering entrepreneurial activity. Informal institutions related to social rules and conventions exert a strong influence on how entrepreneurs conduct their activities (Baumol, 1990; Bruton et al., 2010; Helmke and Levitsky, 2004; North, 1990). As mentioned previously, lack of support and ineffective formal institutional services particularly in developing countries, have left citizens with no choice but to rely on informal institutional provisions (Salimath and Cullen, 2010). In this type of environment individuals are often forced to rely on ‘culturally based institutionalised practices’ (Puffer and McCarthy, 2011, p. 28) that shape the behaviours, decisions and choices of entrepreneurs.

Social networks in particular have been noted to have a very strong influence on informal entrepreneurial behaviour through the use of connection, favours and the use of collective action, identity, cooperatives, town unions, and trade and market associations in order to access resources, have a voice, and reduce uncertainty in business transactions (Lyon and Porter, 2009; Meagher, 2005, 2007, 2009; Porter et al., 2010). Also, societal norms, values, and customary practices often wield a strong influence on developing collective behaviour and shaping human interactions, because they ‘determine the setting and legitimacy’ of human interactions (Thai and Turkina, 2014, p. 491).

Culture, norms, and values often serve as a means for popular resistance to impede the powers and authorities of the formal institutions (Meagher, 2007). Meagher argues that, in certain contexts, high levels of disorder exist in informal institutional structures, set by cultural norms and value systems as a sort of resistance to change, and associated either with uncertainty about outcomes or the seeing of change as a threat to the status quo. This creates a weakening of formal regulations, generating contempt for state orders (Meagher, 2007).

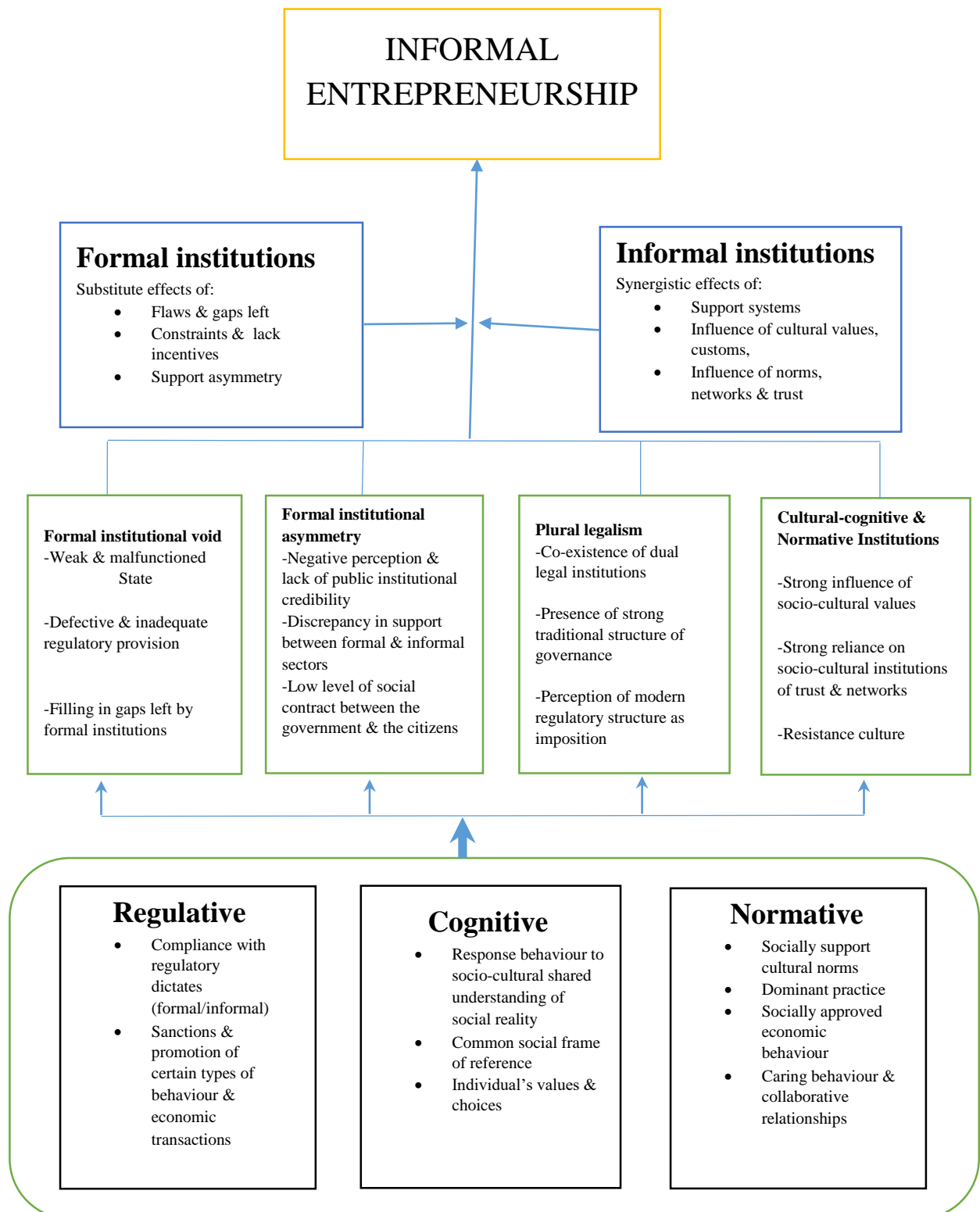
The role of culture in influencing human behaviour has been argued by many scholars (e.g. Hofstede, 1980; Islam, 2004; Johnson et al., 2014; Puffer et al., 2010). This explains that the culture of people or a community constitutes a means by which they interact within their environment and has a strong influence on their everyday social and economic activities (Islam, 2004; Johnson et al., 2014). With respect to the influence of culture on economic behaviour, Thai and Turkina (2014) found that socially supportive culture is a driver of informal entrepreneurship. This brings to the fore the place of cultural institutions in sculpting informal entrepreneurship activity (Bruton et al., 2010).

Building on the works of North (1990) and Scott (1995) the complex nature of the drivers of informal entrepreneurship can be depicted in a conjoined network of inter-institutional influences of formal and informal institutions governed by regulative, cognitive, and normative institutional pillars, illustrated in Fig. 2.3.

The three institutional pillars are connected, as Figure 2.3 depicts, but each focuses on different aspects of the socio-economic life of the people. While regulative pillar relates largely to formal laws, cognitive is about the socio-cultural and individual’s values and characters towards socio-economic life, and normative is linked to socio-cultural norms. The three pillars are the foundation on which the four perspectives rest. While formal institutional asymmetry and voids are rooted in and connected to weak public institutions, legal pluralism, cultural cognitive and normative stem from informal institutional adherence. Despite their different origins, their effects often are reflected in all other perspectives. Similarly, legal pluralism, and informal cultural-cognitive and normative perspectives originate from informal institutional practices. Nevertheless, they shape people’s behaviour and attitudes towards formal institutions and hence are reflected in the more formally associated factors. Therefore, the four theoretical perspectives are strongly interconnected and exert a strong influence in

shaping the forces and drivers for engaging in informal entrepreneurship. As a result, they play very significant roles in determining the rate of participation in the activity in a society or community. For example, Stephan et al. (2015) empirically confirmed their joint effects in the practice of entrepreneurship in 26 countries.

Figure 2.3: Inter-institutional systems of drivers for informal entrepreneurship



Sources: Developed from the works of North, 1990; Scott, 1995.

Therefore many scholars emphasis explanations that focus on multiple drivers for informal entrepreneurship, stressing the complex interplay of various institutional mechanisms (e.g. Brutton et

al., 2010; Stephan et al., 2015; Vaciara and Urbano, 2008). Lyon (2007) contends that many cultural and socio-economic institutions shape the conduct of the operators in informal entrepreneurship. Behaviour of the informal entrepreneurs is shaped then by the interplay of many institutions.

In the extant literature available to the researcher there is as yet no study that explores the insights that could be gained from institutional theory on informal entrepreneurship practices in Nigeria, and whether and how institutions influence informal entrepreneurship practices in Zamfara specifically. Are formal institutional voids and support asymmetry at work as drivers to participation in the sector, or is it the influence of informal cultural-cognitive normative institutions and plural legalism or both? Research on the relevance of these institutions as a driving force for engaging in informal entrepreneurship is scant in the context of Nigeria. This study will fill this gap.

2.4.3 Theories of motives of informal entrepreneurship

People's occupational choices may be affected or influenced by historical antecedents, environmental and economic conditions, and their circumstances (Istrate, 2007). For example, favourable economic environments and a sizeable market many times motivate people to become entrepreneurs. Adverse conditions also create an urge to look for alternatives (Istrate, 2007), in search of which many people end up in entrepreneurial endeavours. Thus, circumstances leading to the creation of an enterprise could be negative or positive, leading to two types of motivations, i.e. a "push" motivation to address the negative circumstances and "pull" for positive ones (Shapero and Sokol, 1982).

Following the seminal work of Shapero and Sokol (1982), several scholars (Amit and Muller, 1995; Bögenhold, 1987; Gilad and Levine, 1986; Shapero, 1984) began to conduct empirical studies on push and pull motives of entrepreneurship in different contexts and world regions. The distinctions between them are often based on initial reasons for starting ventures. While push is associated with a level of dissatisfaction or need, which is usually requirement-based, pull is connected to opportunity exploration in expectation of potential growth (Amit and Muller, 1995; Block and Sander, 2009; Block and Wagner, 2010; Bögenhold, 1987; Brünjes and Diez, 2012). The involuntary engagement owing to the absence of alternatives was sometimes referred to as necessity-driven, while the voluntary one was alternatively termed opportunity-driven entrepreneurship (Reynolds et al., 2002). With the publication of the executive reports of the Global Entrepreneurship Monitor (Reynolds et al., 2002) these concepts have replaced push and pull terms. In the informal sector, the "upper tier" comprises mostly pulled entrepreneurs, whereas the "lower tier" is populated by those who are in the sector as a last resort (Amin, 2009).

2.4.3.1 Schools of thought on informal entrepreneurs' motives

Owing to the dynamics of entrepreneurs' behaviour in the informal sector, four different schools of thought explaining their motives emerged. The earliest school considers all participants as universally necessity-driven, whereas the second views them as universally opportunity-driven. The third mirrors the dichotomous presentation of the necessity- and opportunity-driven, while the fourth sees their motives as multidimensional.

Universally necessity-driven: this is the earliest thought which sees the motives for engaging in the endeavour as universally necessity-driven: participation is a coping strategy for those without other means of survival (Castells and Portes, 1989; Portes and Schauffler, 1993; Sassen 1997; Temkin, 2009). As such, it uses conventional depictions of informal entrepreneurship as purely a necessity-driven endeavour; a last resort. The school has been criticised for over-simplifying the complexity of the motives of informal entrepreneurs by viewing it as fixed and static (Williams et al., 2009).

Universally opportunity-driven: with the emergence of evidence from studies arguing contrary to earlier assumptions (Cross, 1997, 2000; Gerxhani, 2004; Maloney, 2004; Snyder, 2004), a second school developed, contending that activity is universally opportunity-driven. For example, Gerxhani (2004) asserts that many informal entrepreneurs choose to operate in the sector for more autonomy, flexibility, and freedom.

Necessity versus opportunity-driven: recent studies in the Western world, transition economies, and Latin America have led to the emergence of a third school of thought, which challenges the mutually exclusive representation of informal entrepreneurs' motives and seeks to evaluate some participants as necessity-driven and others as opportunity-driven as a substitution to their universally necessity or opportunity-driven. (Lozano, 1989; Perry and Maloney, 2007; Williams, 2007; Williams and Nadin, 2010; Williams and Round, 2008, 2009; Williams et al., 2009). This school of thought therefore adopts the dichotomous presentation of informal entrepreneurs' motives, as obtained in mainstream entrepreneurship (Bögenhold, 1987; Reynolds et al., 2002).

Multidimensional-driven: more recently, the dichotomous presentation has been challenged by a fourth school of thought due to substantial criticism including its limited explanatory power. Studies have found that the concepts of necessity- and opportunity-driven entrepreneurs are not mutually exclusive categories (Hughes, 2003; Vorley and Rodgers, 2014; Williams, 2008, on developed Western nations; Adom and Williams, 2012; Eijdenberg and Masurel, 2013; Günther and Launov, 2011, on developing countries). Vorley and Rodgers (2014, p. 430) argue that "the lived practice of entrepreneurs is more complex and dynamic than can be understood in terms of "either/or dichotomy""; there are often multiple reasons that can trigger an individual to engage in entrepreneurial endeavour and these can shift or change over time (Vorley and Rodgers, 2014; Williams et al., 2013). Evidence gathered from

these studies has confirmed the multidimensional nature of entrepreneurs' motives. Hence, the dichotomous classifications of motives appear simplistic, disregarding individuals' learning experiences and changes in aspirations and expectations over time (Smallbone and Welter, 2004; Williams, 2008; Williams et al., 2009).

The fourth school of thought contests the universal necessity, mutual exclusive opportunity and dichotomous presentation of informal entrepreneurs' motives (Williams, 2009a), arguing instead that informal entrepreneurs can be motivated by either necessity or opportunity, or a combination of both simultaneously or other motives that may be hard to classify as either. There is also often a shift from necessity to opportunity even though a shift from opportunity to necessity occurs rarely. Therefore, both fixed and dichotomous presentation of necessity and opportunity oversimplify the complex nature of informal entrepreneurs' motives (Bhola et al., 2006; Dawson, Henley and Latreille, 2012; Giacomini et al., 2011b; Hughes, 2003; Kirkwood and Campbell-Hunt, 2007; Verheul et al., 2010; Williams et al., 2009).

To improve the understanding of informal entrepreneurs' motives, multidimensional-driven explanation will form the basis for evaluating the motives of informal entrepreneurs in Zamfara, Nigeria. The available literature suggests very limited research on motives for engaging in informal entrepreneurship. As yet only one study (i.e. Yusuff, 2013) has explored the dynamics of motives of informal entrepreneurs in Nigeria, focusing on Yoruba female textile traders in Lagos, Nigeria, and this was based on social capital and social action theories rather than theories of motives of informal entrepreneurs. It is relevant to know whether all informal entrepreneurs in Zamfara reflect family tradition or subsistence-based or income growth and personal satisfaction-based? Are they always motivated by a single motive or dual motives at a particular point in time? Do they experience shifts in their motives or are these static over their entrepreneurial careers? As the literature suggests, these are aspects related to the motives for engaging in the endeavour yet to be thoroughly explored in the context of Nigeria, and Zamfara state in particular.

2.4.3.2 Typologies and multidimensional nature of entrepreneurs' motives

Given the limitations of the binary/dichotomous classification of entrepreneur's motives, and the fact that the distinction between necessity and opportunity-driven entrepreneurs may be blurred (Dawson and Henley, 2012) scholars have argued that the typology is better viewed as a continuum with subclasses (Bhola et al., 2006; Dawson et al., 2012; Dawson and Henley, 2012; Giacomini, 2012; Giacomini et al., 2011b; Grangel et al., 1995; Hughes, 2003). Hughes (2003) suggests that both necessity and opportunity factors are often interwoven from the reasons given by the individual entrepreneur. In an attempt to overcome the criticised dualistic presentation of entrepreneurs' motives, scholars have expanded classification in their various studies. This type of classification has delineated

the motives into more than two types to accommodate the varieties of motives. Some of the studies that have used this broader taxonomy are summarised in Table 2.3.

The table shows that the classification of motives for starting up an enterprise is at times not straightforward, with the number of categories ranging from three to seven. The most important issue is that whichever nomenclature is used should be appropriate and in accordance to the responses of the research participants (Dawson et al., 2012) so that the classification reflects their motives. This is very important because some drivers could be tricky. For example, family influence or tradition can be interpreted from both necessity and opportunity perspectives, depending on the individual's context (Giacomin et al., 2011a; Verheul et al., 2010).

Some motivational factors are therefore, by nature, multidimensional in nature. Factors such as family tradition, job dissatisfaction, secondary job, and additional income may be interpreted differently because of their multifaceted nature, which can fit different interpretations. For example, some studies (Shapero and Sokol, 1982; Smallbone and Welter, 2002; Verheul et al., 2010) suggest that family background exerts a significant influence on entrepreneurship, with the children of entrepreneurial parents more likely to become entrepreneurs. However, what remains debatable is whether those who become entrepreneurs by inheritance should be seen as necessity- or opportunity-motivated. According to Bhola et al. (2006) and Wagner (2005) the entrepreneurial family exerts an influence on breeding nascent opportunity, rather than nascent necessity entrepreneurs. Similarly, Verheul et al. (2010) discovered that having entrepreneurial parents increases only the probability of nascent opportunity-driven but not necessity-driven entrepreneurship. Gilad and Levine (1986) assert that the homes of entrepreneurs will be more likely to produce a high percentage of opportunity-driven entrepreneurs because the families create an environment that encourages entrepreneurial development. Often family traditions are classified by some analysts as an indicator of opportunity-driven entrepreneurship, whatever an entrepreneur's attributes and peculiarities.

Table 2.3: Key dimensions in pattern of reasons/motives of entrepreneurship

Author(s)	Dimensions	Place of the study	Nature and number of the participants
Schienberg & MacMillan (1988)	Need for personal development	Cross-country	Founder entrepreneurs (1402)
	Need for independence		
	Need for approval		
	Need for escape (job dissatisfaction)		
	Perceived instrumentality of wealth		
	Welfare consideration (communitarianism)		
Giacomin et al. (2011)	Need for independence	Belgium	New businesses (538)
	Family influence		
	Market opportunities		
	Profit search		
	Search for social recognition		
	Unemployment		
Dawson et al. (2012)	Opportunity motivation	United Kingdom	Self-employed persons (17507)
	Internal motivation		
	Family/lifestyle		
	Necessity motivation		
	Occupational motivation		
Yalcin & Kapu (2008)	Financial	Kyrgyzstan	Local entrepreneurs (71)
	Recognition		
	Freedom		
	Family tradition		
Wang et al. (2006)	Personal development	Australia	Small business operators (486)
	Financial motivations		
	Push motivations		
	Flexible lifestyle motivations		
Morris et al. (1995)	Unemployment	South Africa	Informal sector business-owners/managers (30)
	Supplementary income		
	Independence		
	Opportunity recognition		
Benzing & Chu (2009)	Family factor	Cross-country (Ghana, Kenya & Nigeria)	Small-business-owners (599)
	External validation (recognition)		
	Self-betterment (personal satisfaction & growth)		

Source: Developed by the researcher

Other scholars (e.g. Giacomini et al., 2011b; Williams, 2007, 2009; Williams and Youssef, 2013) posit that perpetuating a family entrepreneurial tradition tends to correspond to a necessity motivation since individuals have felt obligated to take over the family business. The motivation by family tradition in respect of necessity or opportunity is still arguable. Family resources and the environment can influence the supply of opportunity entrepreneurs on the one hand, and on the other hand the continuation of the family trade in a constrained condition may influence the supply of necessity-driven entrepreneurs. For example, an individual may be pushed by parents to continue in the family business to maintain an occupational legacy. Hence, as argued by Giacomini et al. (2011a) and Verheul et al. (2010), family tradition may influence the number of necessity- and opportunity-driven entrepreneurs, depending on the contextual differences. However, the odds of being a necessity entrepreneur are higher when the parents are engaged in a traditional occupation or operate in a constrained economic situation with a low income. The odds of their being opportunity entrepreneurs are higher when the parents are engaged in modern informal entrepreneurial activity, characterised by higher income.

In the literature, all three opinions are upheld differently. For example, some scholars (Giacomini et al., 2011a; Gilad and Levine, 1986; Williams, 2007, 2008; Williams et al., 2009, 2010) classified family tradition as necessity entrepreneurship. Other scholars (Bhola et al., 2006; Wagner, 2005; Verheul et al., 2010) identified it as opportunity entrepreneurship. Still others (Giacomini et al., 2011b; Roxas et al., 2010; Shapero and Sokol, 1982;; Smallbone and Welter, 2001) considered it to fall between necessity and opportunity entrepreneurship. Dubini and Aziendale, (1988) and Giacomini et al. (2011b), for example, classified family tradition as a mix of necessity and opportunity motivations. With this uncertainty, it is plausible to classify family tradition as a separate category.

The multidimensional nature of job dissatisfaction has also been argued albeit by few scholars. The vast majority of scholars tend to agree that it is a necessity-motivational factor (Brúnjes and Diez, 2012; Evans and Leighton, 1989; Giacomini, 2012; Giacomini et al., 2011a and b; Smallbone and Wyer, 2006). Evans and Leighton (1989) assert that job misfits are push factors, even though some scholars argued the contrary. For example, Dawson et al. (2009) and Dawson and Henley (2012) classified it as an opportunity-driven factor. The authors argued that job-related dissatisfaction due to deteriorating work conditions may stimulate the need for independence. On the basis of this argument, job dissatisfaction could fit into job-preference motivation.

Additional income is one of the two-edged motivational factors. Some analysts (Kim, 2005; Williams, 2008; Williams and Youssef, 2013; Williams et al., 2013; Williams et al., 2009; 2010; Williams and Round, 2009) considered it a necessity-driven factor, while others (Williams, 2007; Williams, 2009; Williams and Nadin, 2010; Williams, 2008) viewed it as opportunity-driven. Further analysis shows that the factor could be either necessity- or opportunity-driven, depending on different countries' or

individuals' contexts. While analysing the motives of informal entrepreneurs in transition and developing economies, additional income is more or less a necessity, owing to the absence of a social-security net. On the other hand, in the developed Western world, additional income has more connection to opportunity-driven entrepreneurship, since citizens are entitled to state welfare services even if they have no job. In essence, it could have different interpretations depending on the country of analysis.

PART B: SMALL-FIRM GROWTH AND VOLUNTARY FORMALISATION OF INFORMAL ENTERPRISES

A number of studies have revealed that growth among informal micro-entrepreneurs has led them to voluntarily transit from informal to formal operation (e.g. Nelson and Bruijn, 2005). Understanding is relevant to this study since growth in informal enterprises might lead to transitions to formality (Becker, 2004; de Mel et al., 2013; McKenzie and Sakho, 2010). Given this potential; it is therefore relevant to review the literature on small-firm growth in this thesis.

2.5 Small-enterprise growth

According to Koko (2014) the concept describes a complex development process that takes account of the balanced progressive adjustments of various aspects of the firm's relationships both internally and externally. It has therefore been described as the development process of an enterprise from small to large in terms of employment, productivity, and earnings (Koko, 2014). Small-firm growth encompasses all aspects of the enterprise development process leading to an improved performance in productivity, sales revenues, profits, capital assets, and size of employment (Churchill and Lewis, 1983).

2.5.1 Theories of small-firm growth

Four main schools of thought have emerged in the literature on small firm growth: the classical economic, behavioural/managerial, Stochastic, and active/passive learning approaches. These different thoughts have provided diverse explanations of growth in small firms.

The classic approach is based on the premise of optimum firm size, determined by 'the change between one equilibrium situation and another' (Carrizosa, 2006, p. 43) regulated by the underlying forces of economic growth. Penrose (1959) criticised the static approach and argued that firms are not of long-term optimum size but faced with 'a constraint on current period growth rates' (Carrizosa, 2006, p. 47).

The behavioural/managerial approach views managerial competence and capabilities as responsible for small firm growth, championed by Penrose (1959), Chandler (1962), and Williamson (1967, 1985), based on the premise that owner-managers' characteristics and asset specificities can influence growth. However, the theory has limited empirical support and it is criticised for its general

assumption that a firm's performance and growth are consequences of managerial competencies and resources.

The Stochastic model approach was developed by Robert Gibrat in 1931 and is referred to as Gibrat's law of proportionate growth. It assumes that a firm's growth follows a random pattern of growth process (Sleuwaegen and Goedhuys, 2002). It hypothesised that a firm has a constant probability to grow independently of its size (Carrizosa, 2006; Goedhuys and Sleuwaegen, 2000; Santarelli et al., 2006). This means that firms' growth rates and their size are independent of each other (Relander, 2011). Stochastic model of firm' has been widely criticised for its core assumption. For example, Jovanovic (1982) argues that firm's growth rates and sizes are not constant. However, some studies have espoused its validity to subsamples and certain specific time periods (Relander, 2011).

The active/passive learning approach (learning process model) was developed by Bayon Jovanovic in 1982. It attributes growth to learning and experience, assuming that younger firms become more efficient through learning and improve efficiency with experience. Kumar (1985, p. 6) has shown that 'the more efficient a firm, the faster it will grow.' As hypothesised, growth is determined by a gradual acquisition of experience in the industry and the level of efficiency.

Although these approaches provide different explanations of small firms' growth, the learning process model is the most widely tested and accepted in the context of the developing world (Bigsten and Gebreeyesus, 2007; Goedhuys and Slewaegen, 2000; Slewaegen and Goedhuys, 2002). Globally, empirical evidence in support of this tends to surpasses those supporting other theories in the literature (Relander, 2011).

2.5.2 Barriers and obstacles to informal enterprises' growth

Small businesses face many constraints and challenges, barriers and obstacles to their optimal performance, leading to slow growth (Storey, 1994). Informal enterprises are the most affected due to their nature and characteristics, such as non-registration with the regulatory authorities and lack of access to formal institutional support (Mead and Liedholm, 1998; McPherson et al., 1997). The findings of many studies in developing countries have uncovered a range of barriers and obstacles to the growth of informal enterprises (Aftab and Rahim, 1989; Goedhuys and Slewaegen, 2000; Sasidharan and Rajesh, 2013; Slewaegen and Goedhuys, 2002). Synthesising the classification of obstacles revealed by previous studies suggests five main categories as shown in Table 2.4.

Table 2.4: Obstacles and constraints of informal sector enterprises growth

Main categories	Barriers/obstacles
Financial constraints	Lack of access to formal institutional finance Poor financial resource management Inefficient capital
Socio-cultural constraints	Very low rates of investment (Grimm et al., 2011b) Barriers related to cultural norms, e.g. kinship burden (Grimm et al., 2011b) Artisanal base in case of some crafts (Aftab and Rahim, 1989) Succession problem (lack of succession plan) (Sam, 2003) Cultural resistance to change (Meagher, 2007)
Market constraints	Weak/low demand owing to inferior quality of their products (Meagher and Yunusa, 1993, 1996) Poor marketing skills and lack of access to product market (UN-HABITAT, 2006) Very intense and stiff competition for some products due to high concentration of production of single product in an area (Palmer, 2004) Lack of linkages with the formal sector (Arimah, 2001)
Infrastructural/technological constraints	Lack of suitable and secure permanent business premises Poor quality of essential infrastructural services, e.g. electricity Lack of and inability to acquire/adopt modern technology Lack of efficient facilities and equipment
Legal/regulatory & institutional Constraints	Inadequate legal framework and inefficient regulation (Abumere et al, 1998) Difficulties in obtaining property rights and costs and delays in obtaining permits Business registration difficulties and corruption Multiple taxation, lack of incentives and business support services

Sources: Developed from: Sources: Developed from: Aftab and Rahim (1989); Ayyagari et al (2008); Goedhuys and Slenwaegen (2000); Grimm et al. (2011a); McCormick et al. (1997); Raimi (2015); Sam (2003); Saidharan and Rajesh (2013); Schmitz (1982); Slenwaegen and Goedhuys (2002).

Financial constraints have been reported as one of the most serious obstacles affecting the growth of the informal enterprises in African countries by many studies (Ayyageri et al., 2008; Geodhuys and Slenwaegen, 2000). Worldwide, insufficient capital and non-availability of finance for expansion is considered the most serious economic obstacle to small-firm growth (Storey, 1994).

Socio-cultural factors too have been described as contributing to slow growth, particularly among female-owned enterprises. Barriers related to cultural tradition, artisanal base, and succession issues have been identified as factors that may constrain the growth of informal enterprises (Grimm et al., 2011a; 2012a; Sam, 2003). In addition, a study in Cote d'Ivoire, a country sharing some cultural features with Nigeria, Grimm et al. (2011a) reported the effects of kin relationship burden as a contributing factor. In some societies there still exist cultural norms that restrict women from participation in market-like business activities. In these types of cultures women entrepreneurs may be restricted from expanding their businesses beyond home-based ones (Zakaria, 2001; Muhammad, 2010).

The problem of succession in informal firms poses very serious obstacles but is not peculiar to informal firms; it is common among small firms even in the developed societies (Storey, 1994) but found to be more volatile in developing economies such as Nigeria (Sam, 2003). Sam's study on succession-related closures in small firms in Nigeria, 1971–80, found that they were 57% among individual-owned firms and 35% and 36% respectively within the family and non-family firms.

Legal status is another serious factor that hampers growth. The majority of informal firms rarely transit to formal status, mostly due to barriers and obstacles to growth (Abumere et al., 1998; Sasidharan and Rajesh, 2013; Vaillant et al., 2014). It has been argued by some analysts (e.g. Abumere et al., 1998) that formalisation can promote growth as it can improve access to resources, information, training opportunities for skill-acquisition, upgrading and access to business support services, and land rights, which could all help to reduce constraints (Abumere et al., 1998; Levenson and Maloney, 1998; Sasidharan and Rajesh, 2013). Ordinarily, these are unavailable to informal enterprises.

The review shows that many factors combine to influence informal entrepreneurs' willingness to pursue growth of their firms. The barriers and obstacles in both internal and external business environment need to be noted and efforts made to reduce them. This is among the objectives of this study.

2.6 Informal enterprises and formalisation

Even though there exist different views about what is meant by formalisation (ILO, 2009), according to Barbour and Llanes (2013a) it is a process through which an informal enterprise becomes compliant with state regulations regarding business registration, tax, and labour laws. However, Nelson and Bruijn (2005, p. 579) described it as “graduating from informal to the formal sector, either directly or

via semi-formal status”. It can therefore be full or partial compliance with dictates of the state in respect of the operation of enterprise (Mead and Morrison, 1996). On the other hand, voluntary formalisation is seen as compliance with the state regulatory provisions governing business operations without being forced by the government enforcement agencies (Nelson and Bruijn, 2005).

The elements of regulatory compliance to signifying formalisation of an enterprise, depending on the level and type (full/direct or semi-formal), and the country, can entail some or all of the following requirements: (i) registration of the business with the authorities by way of obtaining licences or permits; (ii) payment of due taxes and complying with other fiscal regulations; (iii) legal labour practices in forms of payment of minimum wages to workers, meeting up with health and safety standards, work hours, and payment of social security contributions; and (iv) compliance with institutional regulations and requirements pertaining to production and trading of legitimate goods and/or services, e.g. quality assurance and standards, location, etc. (Heintz, 2012; Lagos, 1995; Mead and Morrison, 1996).

2.6.1 Arguments for and against formalisation

Scholars and analysts have argued for and against the formalisation of informal enterprises, particularly in developing countries. For instance, while some scholars and organisations (Abumere et al., 1998; de Mel et al., 2013; King, 1998; Loayzo, 1996; Schneider and Williams, 2013; van Elk and de Kok, 2014) consider it appropriate, others (Adom, 2015; Fajnzylber, 2007; Grey-Johnson, 1992) view formalisation as undesirable in such contexts. Scholars in support of formalisation strongly argue that the size of informal sector activity in developing and emerging economies needs to be reduced to accelerate their economic development. Accordingly, the transition of informal enterprises to formal is advocated because it has a number of advantages. Other scholars present a compelling argument concerning the disadvantages of formalising informal entrepreneurs in developing economies, mostly owing to the absence of any welfare and social services by the state, its roles in addressing poverty and income inequality, and the resilience of the sector during economic downturn and hardship among others. Some of the arguments are discussed briefly in the remaining parts of this section.

From the viewpoint of the pro-formalisation scholars, formalisation is desired because it will increase ‘social and economic security *and offers* increased opportunities for enterprise development support’ (ILO, 2009, p. 19 *italic original*). Similarly, King (1998) argued that for informal economic activities to be able to give a genuine contribution to economic growth in Africa, formalisation becomes a necessity.

Based on an empirical study of 14 Latin American countries, Loayza (1996), for example, suggested that an increase in the size of the informal economy reduces economic growth, finding that the size of the informal sector was negatively correlated with both the availability of public services and

economic growth rates. The argument is that increased tax revenues as a result of formalisation improve both the quality and quantity of public goods and services, and that these stimulate economic growth (Enste, 2003).

The underpinning logic is that informality erodes the tax base of the state, which could be used to improve the provision of public goods and services to the citizens both qualitatively and quantitatively, potentially strengthening the social contract between the state and citizens (Djankov et al., 2003; Enste, 2003; van Elk and de Kok, 2014). It might also encourage a high compliance culture to regulatory institutional provision (de Mel et al., 2013; van Elk and de Kok, 2014). De Mel et al. (2013) found evidence to support this argument at two levels of governance (local and provincial) from Sri-Lanka, concluding that formalisation can be a useful tool for change of attitude to the state by cultivating trust in government.

Among these scholars, informality is viewed as a kind of ceiling to informal enterprise growth, since it blocks access to essential resources (Becker, 2004; USAID, 2006), which might potentially be improved via formalisation. Other scholars (ILO, 2009; USAID, 2005; van Elk and de Kok, 2014) suggest that formalisation will improve the working environment, and reduce environmental pollution and abuse of physical planning structures in cities. This has the potential to improve the health of both employers and employees, which can positively affect their productivity and improve a firm's performance. On this premise, a large-sized informal enterprise hurts economic growth and hence needs to be reduced in size. For these scholars, formalising enterprises in the sector is considered a viable policy option.

Opposite arguments suggest that informal enterprises play very significant economic and social roles in expanding markets, resource utilisation, and social transformation by bringing people out of poverty (Tefera et al., 2013; Tobias et al., 2013). Based on this, several scholars (Adom, 2015; Fajnzylber, 2007; Grey-Johnson, 1992) do not consider formalisation the best policy option for economic growth and development in developing economies. In these countries informal enterprises provide jobs, income opportunities and a safety net, and hence reduce income inequality and poverty (Gray-Johnson, 1992).

In addition, informal enterprises' response to the demands of the economic environment is vital in that they provide services that are either unavailable, insufficient, or unaffordable to many of the population and often not prioritised by the formal firms (Gray-Johnson, 1992). From this viewpoint, the sector contributes to the economy by making it more dynamic and resilient. It also promotes entrepreneurial spirit and hence serves to nurture entrepreneurship development (ILO, 1972; McPherson, 1996; Seibel, 1996b). As Williams (2014, p. 4) said, one hand of the government should not be "pursuing the elimination of precisely the entrepreneurship... that other hands of the government were seeking to foster".

The arguments of the proponents of both schools of thought bear some weight and thus may not be discredited outright but rather need to be harmonised to suggest a policy with a blend of the good ideas of each. Their arguments must be evaluated carefully so that the economic and social wellbeing of citizens is not disrupted and provision of public services are also not jeopardised. In this regard, policy measures that could improve the conditions of the operators are what must be pursued by the government. These have the potential to improve productivity and performance, and increase the participant's income. At the same time it might encourage the voluntary and gradual formalisation of the growth-oriented entrepreneurs, who may wish to expand their activities by connecting to the formal sector for larger orders, and gain access to loans and opportunities for enterprise development support from formal institutions. To create an appropriate policy, the costs and benefits of formalisation need to be examined, to which our attention now turns.

2.6.2 Costs and benefits of formalisation

An important question to begin with is why entrepreneurs choose to operate informally instead of formally. It has been found that entrepreneurs in the informal sector often make a decisive economic calculation of the costs and benefits of operating informally. Therefore, the decision to formalise depends to a large extent on 'formal arrangements for which the costs remain lower than the benefits' (Becker, 2004, p. 24). Then, entrepreneurs make a rational decision based on the opportunity costs of operating formally or informally, making a trade-off between avoiding costs and foregoing the benefits receivable. An entrepreneurs' choice, therefore, is determined by the expected benefits, often in consideration of institutional constraints (Dabla-Norris et al., 2008; Fajnzylber, 2007; Lagos, 1995; Loayza, 1996).

Supporting the above argument, Nelson and Bruijn (2005) in their study in Tanzania, a country with similar economic characteristics to Nigeria, found that the values entrepreneurs assigned to institutional incentives, costs of formalisation, and opportunity costs are the factors that stimulate their formalisation. The process is an economic exchange transaction between informal entrepreneurs and the government. In the absence of any benefits, entrepreneurs will prefer to stay informal and avoid the cumbersome formalisation procedures. As observed by Djankov et al. (2003), entrepreneurs' choices are influenced by their perceptions of benefits foregone by operating formally and gains associated with circumventing various institutional regulations (payment of taxes or social security contributions). For example, de Mel et al. (2013) found that in Sri-Lanka some 61% of entrepreneurs indicated a willingness to formalise if registration costs were reduced. Also, the provision of information about registration and reimbursement of the direct costs of formalisation did not increase the rate of registration, but incentives did. Similarly, Leveson and Maloney (1998) found that small firms remain informal in order to avoid paying taxes and save time in the registration process. They forego the benefits and services provided to registered firms, which include legal status, access to

resources, such as formal institutional finance, permanent business location, etc. These studies delineate the advantages and disadvantages of being formal or staying informal, as summarised in

Table 2.5. Table 2.5: Costs and benefits: the advantages and disadvantages of informality

Costs of formalisation	Benefits of informality
<ul style="list-style-type: none"> • Compliance with regulatory requirements such as accounting reporting, labour laws, quality control, and regular inspection • Entry costs and time to complete the registration procedures • Payment of taxes and annual renewal of licences 	<ul style="list-style-type: none"> • Freedom for setting wages and work hours, and flexibility in production requirement • Circumventing registration procedures and costs associated with it • Avoidance of burden associated with obtaining licences, tax payments, etc.
Advantages of formality	Disadvantages of informality
<ul style="list-style-type: none"> • Improved access to formal lending institutions, enjoy formal assistance and participation in government programmes • Freedom to operate and avoidance of risks of confiscation of articles, business closure, and paying fines or bribes • Compliance with laws helps in attaining legal power to demand contracts and large orders from formal firms 	<ul style="list-style-type: none"> • Limited access to formal lending institutions, institutional support programmes and assistance • Exposure to risks of confiscation of products, eviction, fines, etc. • Foregoing potential gains that may arise from larger orders, capacity to enter into legal contractual obligations etc.

Sources: Barbour and Llanes (2013); Djankov et al. (2003); Fajnyzlber (2007); Loayza (1996); Nitcher and Goldmark (2009); van Elk and de Kok (2013); Williams (2014).

From Table 2.5 we see that operating either formally or informally has associated costs and benefits, advantages, and disadvantages. These form the basis of informal entrepreneurs' decision-making by assessing the opportunity costs of operating in either sector. Consequently, when the benefits outweigh the costs, they will be stimulated to formalise their ventures (Autio and Fu, 2014). Nigeria is one of the countries characterised by weak institutional support and asymmetry (Abumere et al., 1998; Meagher, 2007a; Meagher and Yunusa, 1991, 1996; Sanusi, 2010) and informal entrepreneurs perceive more benefits from operating informally owing to the absence of tangible support from the government (Oladimeji and Ojibo, 2012). To stimulate their voluntary transition to the formal sector for high productivity and economic performance there is the need to introduce measures to improve their operating conditions. These will help in ameliorating some of their problems, reduce transaction costs, and boost the image of the government (Abumere et al., 1998).

2.6.3 Formalisation and growth of the informal sector enterprises in developing countries

Many studies in Africa and other developing regions have provided empirical evidence confirming growth among the informal enterprises owing to formalisation (Nelson and Bruijn, 2005, on Tanzania; de Mel et al., 2013, on Sri-Lanka; McKenzie and Sakho, 2010, on Bolivia). In Tanzania, Nelson and Bruijn (2005) reported willingness to voluntarily formalise informal businesses due to growth of their activities. Also, Becker (2004) reported that informal entrepreneurs in Tanzania declared that orientation towards formalisation motivated them to expand their businesses. Informal firms' growth on the grounds of formalisation was revealed by the studies of de Mel et al. (2013) and McKenzie and Sakho (2010). De Mel et al. (2013) found that formalisation in Sri-Lanka had impacted profit levels and sales volumes, as a result of increased adverts and the use of receipts, 64% of the survey participants benefited in one form or another, owing to formalisation. This made an impact on their profit and expansion. Similarly, McKenzie and Sakho (2010) discovered that formalisation in Bolivia expanded sales through the increased use of receipts. Registration increased profitability due to an increased quality assurance and patronage. However, increase in sales due to registration did not cut across all firms. The heterogeneous effects, as suggested by the research, are due to firms' differences. For example, formality lowers the profit of very small enterprises that are too small to benefit (McKenzie and Sakho, 2010).

Barriers and obstacles to formalisation: Informal entrepreneurship scholars in Nigeria (e.g. Abumere et al., 1998) and elsewhere (Mead, 1994; Sasidharan and Rajash, 2013; Tefera et al., 2013; USAID, 2005b; Vaillant et al., 2014) suggest that the rate of transition from informal to formal is very slow due to inherent barriers and obstacles. In Nigeria, factors raised in the literature include institutions characterised by much corruption in the formalisation process in the form of difficult business registration procedures due to bureaucracy and red-tape (Abumere et al., 1998). There are also claims of an unfavourable tax regime with high and multiple taxation (Aganga, 2012; NOI Polls, 2013), and injustice from the government manifested by inadequate services to tax-payers (USAID, 2006). These have created a lack of confidence and trust in the government, specifically in Nigeria (Porter et al., 2004; Lyon and Porter, 2009). Other factors that constitute a barrier to the voluntary formalisation of informal entrepreneurs in Nigeria are the lack of incentives and institutional challenges such as poor infrastructure, especially electricity, transportation, and limited access to capital. The operators take care of themselves without support from the government (Meagher and Yunusa, 1991). All these factors are in addition to socio-cultural attitudes fuelled by the resistance culture and tradition of the people. Owing to the origin of the larger percentage of informal entrepreneurs from traditional crafts and occupations, the majority of these groups operate under the provisions of traditional institutions and comply with them to nurture cultural resistance to change (Meagher, 2009a; USAID, 2005).

2.6.4 Measures to facilitate voluntary formalisation of informal enterprises

Strong arguments have been advanced in support of policies to promote the voluntary transition of informal entrepreneurs to formal sector (e.g. Meagher and Yunusa, 1991; Abumere et al., 1998; Anheirer, 1992; Heyes, 2007; Ishengoma and Kappel, 2006; Nelson and Bruijn, 2005; Omuta, 1986). For example, Heyes (2007) identified six policy measures encouraging the transition. Although his study focused on Western European countries, the factors are relevant to the African context too. They include reducing administrative burdens, improving access to capital, tax relief, provision of active employment programmes (such as training and retraining), and formation of associations and organisations. This means that facilitating voluntary formalisation requires the ‘policy makers to act on several fronts’ (Fajnyzlber, 2007, p. 164) so that the cost-benefit analysis of transition will favour formality instead of informality. What follows is a broader description of the measures that the government needs to introduce in order to facilitate the voluntary transition of some informal entrepreneurs to the formal sector.

A measure with prime impact in the course of facilitating voluntary formalisation is improving the quality of governance in developing countries. Loayza (1996) found that the quality of government institutions decreases the size of the informal sector. The study further suggests that the relative size of the informal sector has negative correlation with the availability of public services, implying that, informality increases with the poor quality of governance and weak formal institutions (see Meagher, 2007).

Removal of regulatory constraints is also a very important policy measure for the government to trim the size of the informal sector (de Mel et al., 2013). Policy measures such as simplified tax systems and registration procedures have been found by Fajnyzlber (2007) to significantly increase the number of registered firms in Latin American countries. Thus, reducing the time and costs of registration can contribute to an increase in new formal firms. In many developed countries, e.g. Spain, Austria, Greece, The Netherlands, France, Portugal, and Denmark, as well as developing ones, e.g. Brazil, Mexico, and Peru, a simplification of rules (; Heyes, 2007; Renooy et al., 2004), simplified tax systems, and tax reduction (Fajnyzlber, 2007; Fajnyzlber, Maloney and Rojas, 2006; Renooy et al., 2004) have had a positive impact on increasing the number of registered enterprises in various countries.

Another policy measure that demonstrated a significant impact on informal entrepreneurs’ transition to the formal sector is the provision of incentives and benefits. Fajnyzlber (2007, p. 170) asserts that an increase in the potential benefits of formalisation, achieved by providing incentives for participants to feel that ‘they have more to win from formalising’, would make them feel that the opportunity costs of operating informally are higher. Klein and Tokman (1993) argued that informal entrepreneurs’ perceptions of the benefits derived from formalisation had been found to have a significant influence

on the formalisation of informal entrepreneurs in Ecuador and Jamaica. Similarly, de Mel et al. (2013) found in Sri-Lanka that the provision of incentives increases the rate of informal entrepreneurs' registration.

Creation of awareness and the provision of business development services are reported to have played a significant role in stimulating firm registration in the UK, France, and Sweden (Renooy et al., 2004; Heyes, 2007). These measures are relevant in the context of Nigeria, owing to a higher level of information asymmetry between the formal and informal sectors (Oladimeji and Ojibo, 2012; Simon, 1998). For instance, Simon (1998) found that in Kaduna some 56% and 83% of informal retail traders and hawkers respectively lacked awareness of the requirements and procedures for business registration. To increase the rate of registration there is therefore a need for awareness campaigns.

2.7 Chapter summary

This chapter has reviewed the fundamentals of informal entrepreneurship and theories, beginning with the definitions and characteristics of an entrepreneur through to entrepreneurial orientations. It has also looked at the conceptualisation and delineation of the informal sector, informal entrepreneurship, its typologies, characteristics, and theories. The second part of the chapter concentrated on growth theories relating to small firms, barriers to informal enterprises growth and formalisation.

No previous studies have evaluated the relevance of theories of informal economy/entrepreneurship to Nigerian informal entrepreneurs, particularly in Zamfara. Similarly, the researcher knows of no study that has examined the insights that could be brought by institutional theory on informal entrepreneurship practices in Nigeria. In addition, there have been no previous explorations of the motives of informal entrepreneurs in Zamfara; this is a very important area regarding individuals deciding to engage in this form of activity and has not been thoroughly explored in the context of Nigeria, and Zamfara state in particular. This provoked the adoption of an eclectic approach using three prominent theories in researching informal entrepreneurship for a more nuanced and comprehensive understanding of the phenomenon in Zamfara state, Nigeria.

The review has also shown that formalisation of informal enterprises has received mixed reactions from scholars and analysts. Some were in favour while others were against. Therefore, public policy on the formalisation of operators in the sector needs to be approached with caution because its effects on the economic growth and development are mixed in developing countries' context such as Nigeria. To derive the benefits from its positive aspects, measures to improve the operating conditions of the participants in the sector and encourage their gradual and voluntary transitions has support from a number of commentators. This is a very important area in informal entrepreneurship research that has received very little attention in the context of Nigeria in general and more particularly in Zamfara state.

CHAPTER THREE: CONTEXTUAL AND EMPIRICAL SITE OF THE STUDY

Introduction

It is essential to examine the study context in order to aid comprehensive understanding of the socio-economic environment as well as other contextual issues relating to the country in which the research was undertaken. The first section of the chapter examines the Nigerian economic and political situation and informal entrepreneurship in the country. The second and third sections concentrate on the nature and characteristics of the activity. The final part focuses on government policies.

3.1 Economic and political context of Nigeria

Politically, Nigeria is one of the West African countries in the Gulf of Guinea and has a landmass of 923,768 square kilometres. It shares its border with the Benin republic to the west, Chad and Cameroun republics to the east, and the Niger republic to the north (World Bank, 2011). The country has more than 250 different ethnic groups, two polarised religious communities (Meagher, 2013b), and an array of cultural diversity (www.mdgs.gov.ng). Since the country's civil war, which ended in 1970, the country has faced ethnic and religious resentments and tensions (Meagher, 2013b; www.mdgs.gov.ng).

Nigeria is Africa's most populous nation, with an estimated population of circa 177m people (www.worldpopulationstatistic.com/africa_population_2013/), placing it the 8th most populated country in the world (USAID, 2006) with annual average population growth rate of 2.5% (NPC, 2009). It therefore has a promising large commercial market and consumers of a variety of commodities (Porter et al., 2005; Raimi, 2015). It is one of the NEKS countries (Nigeria, Egypt, Kenya and South Africa) which analysts describe as nations with large untapped domestic markets (Raimi, 2015).

In terms of natural resources, Nigeria is "endowed with millions of acres of arable land" (Okeke and Eme, 2014, p. 18). According to the World Bank (2015), 78% of Nigeria's total landmass is arable (<http://wdi.worldbank.org/table/3.2>). The country also has an estimated 38.5 billion barrels of oil reserves, 8th in the table of countries with such reserves. The country also has massive reserves of gas, being the 6th largest in the world, in addition to 37 other mineral resources in commercially viable quantities. It is an irony, however, that the economic performance "does not reflect these endowments" (Sanusi, 2010, p. 2). The World Bank Report (2008) showed that 71% of Nigerians were living under the poverty level of \$1 per day and 92% were below \$2 a day. Agriculture is the mainstay and backbone of the economy, with over 60% of the population engaged in agricultural activities as their main income and subsistence. The sector has an average contribution of 41% to GDP.

Official statistics indicate that the Nigerian economy has witnessed GDP growth over the last 10 years at an average of about 8% (World Bank, 2013). With the recent GDP rebase, Nigeria is Africa's largest economy, and "contributes 11 per cent of Africa's total output and 16 per cent of its foreign reserves" (Okeke and Eme, 2014, p. 18). The country has economic growth potential as a result of its enormous mineral deposits and human resources (NBS, 2014). However, the performance of the economy has been affected by political instability, lack of focus and visionary leadership, economic mismanagement, and corruption (Sanusi, 2010, p. 2). As a result, Nigeria's economic performance relative to its level of resources is grossly poor (Sanusi, 2010).

3.1.1 Area of the study (Zamfara state, Nigeria)

Zamfara is an old kingdom established in the 11th century, one of the seven Hausa states, called Banza Bakwai states, which flourished during the 15th and 16th centuries (Zamfara state government, 2011). Zamfara was a well-developed centre of commerce and territorial administration until the collapse of Birnin Zamfara in 1762. Commercial activities continued to flourish after the collapse of the state in urban centres, such as Anka, Banga, Kiyawa, Kurya, Morai, and Sabon-Gari amongst others (Abdullahi, 2003). The present Zamfara state was created in October 1996, carved out of the former Sokoto state in North West Nigeria. It comprises 14 local government areas, with state capital at Gusau, and three senatorial districts with their headquarters at Gusau, Kaura-Namoda, and Talata-Mafara.

According to the 2006 national census (National Population Commission [NPC]) the state had a population of 3,278,873 people; 1,641,623 men and 1,637,250 women. In total, 1,706,051 people were aged 15 and above in 2006. There were 604,844 households. According to the National Bureau of Statistics (NBS, 2010), the state had a total of 285,500 informal sector enterprise owners, consisting of 132,942 men and 152,558 women. The NBS's 2010 informal sector survey was part of a national manpower, stock, and employment generation survey conducted in Nigeria, and was carried out in two stages. At the first stage, PSUs/EAs were selected based on quota sampling technique through which 10 EAs per Local Government Area (LGA) in the 36 states and Federal Capital Territory, Abuja. As there are 774 LGAs in Nigeria, 7740 EAs were selected. At the second stage, 10 households were chosen through a systematic random sampling to arrive at a total of 77,400 households. According to the bureau, the sample size was large enough to achieve a reliable and robust estimate at national and state levels.

The maps below show Zamfara State in Nigeria and the respective local-government areas in the state.

Figure 3.1: Map showing Zamfara State in Nigeria



Source: http://en.wikipedia.org/wiki/File:Nigeria_Zamfara_State_map.png

Figure 3.2: Map showing Local Government Areas (LGAs) of Zamfara state selected for the study



Source: National Population Commission, 2006 Population and Housing Census, vol. iii. P. 26

3.1.2 Nigeria's economic challenges

The first serious economic challenge faced by Nigeria was the reconstruction of the damages caused by the civil war. This was the main economic policy thrust of the government in the second development plan (1970–74) in addition to its continued industrialisation policy (Onyebueke, 2013; Raimi, 2015). A decade later, in the early 80s, the country experienced another serious economic crisis and dilemma as a result of the falling price of crude oil in the international oil market, which created a sharp fall in oil revenue (Etinosa, 2008; Nwakanma et al, 2010; Okeke and Eme, 2014). Compensating for the loss of oil revenue was very difficult, due to the mono product structure of the economy. In search of a solution, the government introduced austerity measures, which led to the deterioration of the quality of life and state welfare services (Etinosa, 2008). In the industrial sector this resulted in the scaling down and suspension of production that led to employees being laid off. For example, by 1983, as reported by Dawson (1994), 25% of the salaried workers in the country had been laid off.

With the persistence of the economic crisis, on the advice of the Bretton Woods institutions (IMF and the World Bank), in 1986 the government introduced the Structural Adjustment Programme (SAP). Some of the measures brought about by SAP include: cuts in government spending on social welfare services and employment, removal of subsidies on petroleum products and other essential goods/services, and the devaluation of the value of naira among others. Instead of revamping the ailing economy, SAP further deepened the economic crisis by increasing unemployment, poverty, and social inequality, decreasing the real income value caused by the falling value of the naira and increasing the rate of rural urban migration (Dawson, 1994; Meagher and Yunusa, 1993, 1996; Soetan, 1997). As such, its principal objectives of restoring equilibrium in the balance of payments, controlling inflation, and realigning domestic expenditure and production patterns were far from achieved (Etinosa, 2008). For example, poverty levels started rising in 1985 from 46.3% to 59.3% in 1995. By 2011 it had reached 72% at national level; in some states (Zamfara included) it was 76%. Also, unemployment rose from 6% during the 1980s to 23.9% in 2011 (see Table 3.1 below). Many analysts observed that the increased scarcity of imported products led to the production of pirated products by informal entrepreneurs as a substitute (Dawson, 1994; Etinosa, 2008; Soetan, 1997). These developments contributed in setting the pace for the expansion of informal entrepreneurial (Abumere et al., 1998; Meagher and Yunusa, 1996; Ubogu et al., 2011), given its capacity for employment generation and the provision of income opportunities. Since then the informal entrepreneurship has been growing rapidly; for some participants as a matter of economic necessity (safety valve); to others, as opportunity-exploitation; and still to others as a combination of both (Meagher, 1995; Meagher and Yunusa, 1996).

The general performance of the Nigerian economy at both macro- and microeconomic levels has been low. The inflation rate continues to exceed single-digit rates, at 10.8% in 2011 and 12% in 2012.

Interest rates, on the other hand, are consistently in the range of 16-20% (World Bank Report on Nigeria, 2014).

Table 3.1: Nigeria's macro and microeconomic indicators 1985–2014

Years	Exchange rate	Inflation rate	Interest rate	Poverty rate	Unemployment rate	Real GDP growth rate
1985	0.89	5.50	11.75	46.3	6.1	9.4
1986	2.02	5.40	12.0	46.8	5.3	3.4
1987	4.01	10.2	19.2	47.3	7.0	-0.6
1988	4.53	38.0	17.6	43.1	5.3	3.4
1989	7.39	40.9	24.6	42.4	4.0	-11.4
1990	8.03	7.50	27.7	38.0	3.5	8.2
1991	9.90	13.0	20.8	41.2	3.1	4.7
1992	17.29	44.5	31.2	42.7	3.4	2.9
1993	22.05	57.2	36.09	44.6	2.7	2.3
1994	21.88	57.0	21.0	47.2	2.0	1.3
1995	21.88	72.8	20.79	59.3	1.9	2.6
1996	21.88	29.3	20.86	64.6	3.8	3.4
1997	21.88	8.50	23.32	54.1	3.2	3.2
1998	21.88	10.0	21.34	41.6	3.9	2.4
1999	92.69	6.60	27.19	41.6	13.7	2.8
2000	102.1	6.90	21.55	65.6	13.1	3.8
2001	111.9	18.9	21.34	65.6	13.6	4.7
2002	120.9	12.9	29.70	65.6	12.6	4.6
2003	129.4	14.0	22.47	65.6	14.8	9.6
2004	133.5	15.0	20.62	54.4	13.4	6.6
2005	132.1	17.9	19.47	54.4	11.9	6.2
2006	128.7	8.20	18.70	54.4	12.3	6.0
2007	125.8	5.40	18.36	51.6	12.7	6.5
2008	118.6	11.6	18.74	51.6	14.9	6.0
2009	148.9	12.4	22.90	55.0	19.7	7.0
2010	150.3	13.7	16.02	69.0	21.4	7.9
2011	153.8	10.8	16.02	72.0	23.9	5.3
2012	156.1	12.2	16.79	64.0	27.4	4.2
2013	160.4	8.50	16.72	62.5	24.7	5.5
2014	195.0	8.00	16.49	62.5	25.1	6.2

Sources: CBN (2010) Statistical Bulletin, vol. 21, Abuja, CBN

Central Bank of Nigeria (2011, 2013, 2014) Annual Reports and Financial Statements, Abuja, CBN

Federal Office of Statistics (FOS) (1996) Socio-Economic Profile of Nigeria 1996. Lagos: FOS

Federal Office of Statistics (FOS) (1999) Poverty Profile for Nigeria 1980-1996. Lagos: FOS

National Bureau of Statistics (NBS) (2005) Poverty Profile for Nigeria, www.nigerianstat.gov.ng

National Bureau of Statistics (NBS) (2010) The Review of the Nigerian Economy, www.nigerianstat.gov.ng

National Bureau of Statistics (NBS) (2011) Annual Socio-Economic Report, www.nigerianstat.gov.ng

National Bureau of Statistics (NBS) (2014) Inflation rates for 12 months moving average, Abuja

National Bureau of Statistics (NBS) (2015) Real GDP growth rates 2011-2014, Abuja, NBS

National Bureau of Statistics (NBS) (2015) Report of the Review on Unemployment Statistics 1967-2015, Abuja.

As Table 3.1 illustrates, between 1985 and 2014 the exchange rate of naira to the US\$ dollar had risen from ₦ .89 to ₦ 195, indicating a loss of 22,000 per cent of its value. The inflation rate has been rising and falling to its recent rate of 8% in 2014. Similarly, interest rate is also rising and declining. For example, it was below 20% by 1985 to 1988 and rose above 20% for almost one and half decades and then declined steadily to 16.49% in 2014. Poverty has grown at a phenomenal rate from 46.3 % in 1985 to as high as 72% in 2011, but has since fallen back to 62.5 in 2014.

The rate of unemployment has also been rising dramatically from single digits in 1985 through 1988, to two digits from 1999, and to the recent rate of 25% in 2014. As with inflation and interest rates, the real GDP growth rate rise and fall. The three indicators (exchange, poverty, and unemployment rates) that kept on increasing added with inflation rates are by implications those that affect the standard of living of the majority of the citizens seriously.

In a nutshell, Nigeria has been experiencing severe economic instability and stagnation since the early 1980s (Etinosa, 2008; Nwakanma et al., 2010; USAID, 2006). As a consequence, Nigeria's economy continues to dwindle, thereby making the business environment very harsh and unpredictable (AfDB, 2013; Raimi, 2015; USAID, 2006; World Bank, 2013). More than any other factor, unemployment and falling income values have been seen by a number of analysts as the prime causes of the increase in the rate of participation in informal sector entrepreneurship (Meagher, and Yunusa, 1993, 1996; Mustapha, 1991). Unemployment in particular, has pushed many job-seekers in both the private and public sector to resort to working in agriculture or starting up informal entrepreneurial activity as a source of subsistence (Meagher and Yunusa, 1996; Ubugo et al., 2011).

Some analysts (Okeke and Eme, 2014, p. 23) posit: 'Many entrepreneurs have the initiative to start new ventures, but lack the skills, tools and support to succeed.' The lack of support and information has led many entrepreneurs to start informally rather than formally (Abumere et al., 1998), as have corruption, limited access to credit due to the lack of collateral and the poor quality of infrastructural facilities noted previously, particularly electricity, water, and road networks, shallow management capacity, lower skill levels, and stereotyping (Abumere et al., 1998; Raimi, 2015).

These constraints have affected the formation of new formal enterprises and expanded the growth of the informal entrepreneurship. The major challenges and limiting factors to formal and the causes of the growth and expansion of informal entrepreneurship in Nigeria include: over-reliance and dependency on oil revenue (Burungi, 2014; Okeke and Eme, 2014), political instability (Mordi et al., 2010; Sanusi, 2010), very low industrial productivity (Porter et al., 2004; USAID, 2006), corruption and weak rule of law (Sanusi, 2010), growing poverty and unemployment (Burungi, 2014; Meagher, 2013b), failing public institutions (Aganga, 2012; Raimi, 2015; USAID, 2006) and the poor business environment (AfDB, 2013; USAID, 2006; World Bank, 2005). All these economic challenges have persisted despite growth in real GDP for 30 years, except in 1987 and 1989 (see Table 3.1 above). This is an indication that entrepreneurs, both formal and informal, face a number of institutional barriers and constraints to doing business although informal entrepreneurs are most severely affected, due to their vulnerability and the difficulties they have in accessing government support services and incentives (Abumere et al., 1998, UN-HABITAT, 2006). Therefore, institutional constraining factors, such as those indicated above and the examples of successful informal entrepreneurs (Oluranti, 2011), could be regarded as the major drivers to informality in Nigeria.

3.1.3 The Nigerian economy and informal entrepreneurship

The number of small firms is large in all economies (OECD, 2004; Nitcher and Goldmark, 2009; Nwakanma et al., 2010; Vora et al., 2010). However, a distinctive difference between the developed and developing economies is the large scale of informal enterprises among small firms in the developing nations than in the developed (Schneider, 2007, 2012; ILO, 2002b; Charmes, 2000), including Nigeria (Mordi et al., 2010). According to Adenuga et al. (2010) Small-Scale Enterprises (SSEs) constitute 65.5%, Medium-Sized Enterprises (MSEs) 32.5%, and Large-Scale Enterprises (LSEs) 2.5% of Nigeria's industrial sector. Conversely, LSEs contribute 85%, MSEs 5%, and SSEs 10% of Nigeria's industrial output. However, the informal sector provides more employment and income opportunities to the substantial population in the country. Mordi et al. (2010, p. 13) report that: 'The sector employs 70–80% of the labour force and represents a major source of capital formation particularly in rural areas.' Therefore, in terms of socio-economic roles (employment and income opportunities, and reducing income inequality and poverty) the informal sector by far exceeds the formal one (Grey-Johnson, 1992). Though the size of the informal sector in terms of industrial output is smaller than its formal counterpart, its contribution to social wellbeing of the citizens is enormous. This is why, in developing countries in particular, it is viewed by the majority of the scholars (e.g. Gray-Johnson, 1992) as an important sector with growth potential and capacity to contribute to the development of the overall economy, reducing poverty by creating jobs, raising participants' income, and nurturing budding enterprises (Seibel, 1996b; UN-HABITAT, 2006), hence increasing local wealth and economic development (Kim, 2005).

The economic role played by the informal sector, according to Osalor (2009), is no longer an ancillary one but rather a conventional one, in terms of providing a means of sustenance and creating new jobs. It represents a significant percentage of economic activities in Nigeria, particularly in employment and income generation. As a result of its viability and economic significance, public policy on the sector is currently experiencing alteration from harassment to support (Mwega, 1991). Also, the current research on the sector seems to be moving away from parasitic and survivalist definitions to the recognition of its heterogeneity, economic resilience, and contribution (Onyebueke, 2013).

Having recognised the growth potential of some informal entrepreneurs, the Nigerian government has begun to embrace the informal sector as a necessary economic unit that the nation can hardly do without (Aigbe, 2014, Osalor, 2009). This and the call by the government for people to be self-reliant which encourages the formation of enterprises both formal and informal; with the public services failure to provide efficient and effective services to encourage the formation of formal enterprises (Abumere et al., 1998; NOI Polls, 2013) and inadequate provision for guidance in starting a business formally, most entrepreneurs begin working informally.

Informal sector entrepreneurship is growing rapidly in Nigeria. Several national surveys (Abumere et al., 1998; CBN/FOS/NISER, 2001; NBS, 2010; SMEDAN/NBS, 2012) have reported increases in the size of the informal sector. For example, within a decade (2001–2010), the number of informal sector enterprises in the country almost doubled, from 8.6 million to 13.5 million (NBS, 2010). Similarly, Schneider (2007) ranked Nigeria second in the league of 37 African countries in the estimation of the size of informal economy, exceeded only by Zimbabwe. The trajectory of informal sector growth in Nigeria is not surprising, given the economic condition of the country since the introduction of the SAP in the mid-80s (see Table 3.1). The determinants of the size of the sector are discussed briefly in the subsequent section.

3.1.4 Magnitude of informal entrepreneurship in Nigeria

Meagher and Yunusa (1996, p. 2) claim that “The Nigerian informal sector is the largest and arguably the most dynamic in Sub-Saharan Africa.” However, definite figures are difficult to arrive at, owing to the lack of organisation of the participants in the sector. As a result, different scholars and organisations have provided varied estimations of its size (Oduh et al., 2008; Ogbuabor and Malaolu, 2010; Schneider, 2007). Nevertheless, all authors agree that the sector is large, likely accounting for 60% or more of non-agricultural contributions to GDP, and is growing, according to many scholars (Fajana, 2008; Yusuff, 2011). Several studies (Anheier, 1992; Mordi et al., 2010; Seibel, 1996a; Yusuff, 2011) suggest that the informal economy is the largest employment provider in Nigeria.

Informal entrepreneurship in Nigeria encompasses a wide range of small-scale industries and motley informal commercial activities. They include both traditional occupations and modern small

businesses, undertaken as economic endeavours for economic growth and sustenance. In aggregate, wholesaling and retailing amongst men and home-based enterprises amongst the women constitute the larger percentage of informal entrepreneurs in Nigeria (Abegunde, 2011). In a national survey (CBN/FOS/NISER, 2001) wholesale and retail trade accounted for almost 56%, manufacturing 25%, while the rest accounted for the remaining 19%.

3.1.5 Determinants of size of informal entrepreneurship in Nigeria

As mentioned above, the population of informal entrepreneurs is very large in Nigeria due to a number of reasons, in terms of both supply and demand. The major factors cited as responsible for its overwhelming growth and persistence on the supply side include unemployment and formal sector economic crisis (Atoloye, 2007; Dawson, 1994; Igudia et al., 2015; Meagher and Yunusa, 1993, 1996; Oluranti, 2011), low and inadequate wages in the formal sector (Meagher and Yunusa, 1993, 1996; Simon, 1998), restructuring of the public sector resulting in retrenchment, rationalisation, and the downsizing of many public organisations (Dawson, 1994; Igudia et al., 2015), government inefficiency and the costs of establishing formal businesses (Abumere et al., 1998; Igudia et al., 2015), the absence of social-security benefits (Meagher and Yunusa, 1996), and a preference for informal entrepreneurship rather than formal jobs by rational economic actors (Yusuff, 2013).

On the demand side, the factors include: preference by rational economic consumers for substitute products by informal enterprises for their low cost (Meagher and Yunusa, 1991, 1996), with easier access than formal products/services, and non-availability of many essential goods and services, especially in suburban and rural areas, and demand for things which the formal sector is unable to provide (Fajana, 2008; United Nations, 1997). In an all-encompassing summary, Fajana (2008) explains that informal economic activities in Nigeria continue to grow, on account of the deterioration and collapse of the formal sector, very high population growth rate, double-digit inflation, skilled unemployment, and low use of industrial capacity. These combined factors have forced many people to produce and rely on informal products and services, which have led to its persistent growth and development. Taken together, the main determinants can be classified as formal and informal institutional factors and individual and informal enterprise characteristics. Each is explained in turn.

Formal (economic) institutional factors: Amongst the economic factors, unemployment is the most influential determinant of informal entrepreneurship. Worldwide empirical research has found the prime role of unemployment and economic reform in stimulating engagement in informal entrepreneurship engagement by different sets of populations (Aderemi et al., 2008; Igudia et al., 2015). For example, Nigeria, in response to the economic crisis of the 1980s, adopted a series of economic reform policies (employment embargo in the public sector and privatisation policy of state-owned enterprises), in compliance with directives of international finance institutions (World Bank

and International Monetary Fund) in order to secure loans and have debt repayments rescheduled. Instead of recovery, the measures resulted in more hardship, which led to layoffs and closure of many manufacturing industries. This gave rise to high rates of unemployment and joblessness, particularly among youth (Dawson, 1994). These problems culminated in a search for income replacement activities, in which the majority took refuge in informal entrepreneurship for sustenance (Meagher and Yunusa, 1991, 1996).

The SAP is one of the economic reform policy measures with widespread support among the scholars (Abumere et al., 1998; Dawson, 1994; Igudia et al., 2015; Soetan, 1997; Ubogu et al., 2011) that has contributed to the growth of informality in Nigeria. The introduction of SAP in the mid-80s promoted informal entrepreneurship mostly due to changes in government economic policies, such as banning the importation of many foreign goods and introduction of an inward-looking industrialisation policy. Adu-Amankwah (1999) maintains that the major overriding consequences of SAP in Sub-Saharan African countries has been a shrinking formal sector and the expansion of the informal sector through its retrenchment component and industrial concentration in the local content. This policy also pushed many people into informal entrepreneurship as a strategy to get by (Dawson, 1994; Abumere et al., 1998).

Formal (political) institutional factors: As argued by Nnadozie (2008), the expansion of informal sector entrepreneurship might have not been caused by economic factors alone but also by political factors. Unlike in developed nations, poor governance, in the forms of corruption, bureaucracy, and inefficient and ineffective public services, constitutes formal institutional factors that have fuelled the growth of informal entrepreneurship in Nigeria (Abumere et al., 1998; Fajana, 2008). The government's inability to improve the economic conditions and adequately cater for welfare led to the recognition of the sector (Fajana, 2008). Currently, Nigeria is among the developing countries that have incorporated informal entrepreneurship in their economic development policies as a means of addressing socio-economic problems, such as unemployment, poverty, population growth and rural-urban migration (Atoloye, 2007).

Even when government provides enabling policies, the bureaucratic and corrupt tendencies of public officials, as regards business licensing and registration, discourage many viable informal entrepreneurs from formalising their undertakings, a situation causing the preference for informality by a sizeable number of micro-entrepreneurs. The ILO (2006) notes that the complex and impenetrable licensing procedures and the high costs of business registration have forced the majority of micro- and small entrepreneurs to resist formalising their businesses.

Other areas of government inefficiency include the absence of social security schemes for formal public workers (Fajana, 2008), which increases uncertainties surrounding the retirement income. This has had a direct and indirect impact on the growth of informal entrepreneurship. Directly, the majority

of public- and private-sector workers must generate a source of income for their retirement, especially those on the lower and middle levels cadres. As a means of security they tend to engage in informal entrepreneurship practices even before retirement on a part-time basis, as straddlers (multiple job-holders) in preparation for disengagement. Income uncertainty indirectly contributes to the persistent corruption of public officials, who feel the need to accumulate wealth as a shield against future income loss. Another related factor is the weak institutions and their persistent inability to provide needed the sorts of infrastructural facilities (an efficient and effective transport system/road networks, adequate electricity and water supply etc, as noted above), which have forced a considerable number of micro-entrepreneurs to remain informal.

In addition, the government at times supports informal entrepreneurial activities to canvass political patronage or to use them as a strategy to resolve social conflicts (Meagher, 1995; Meagher, 2013a). Having considered the sector as a relief owing to its inability to provide welfare services to the citizens, the government goes further, providing training and credit facilities for informal sector entrepreneurial development. These and similar policies have been described by many commentators as pivotal in accelerating the growth of the sector. Hence, these factors may help to explain the role of institutional factors in the growth of informal entrepreneurship in Nigeria.

Informal institutional factors: Apart from formal institutional factors that have contributed to the expansion of the activity, informal institutional factors also contributed. Informal institutions such as culture, norms, traditions and belief systems, customs and social networks influenced informal entrepreneurship in Nigeria through legitimacy and approval granted for the conduct of it (Meagher, 2009a; Nnadozie, 2008). A range of studies (Kennedy, 1995; Meagher, 2009a) have pointed out the powerful roles of social factors (culture and social networks) in relation to engagement in informal entrepreneurship, most notably the supply of informal entrepreneurs by providing linkages and resources, as well as practical help and support (Meagher, 2005, 2009a, 2010) (more detailed discussions are in section 3.3)

Individual factors and informal firms' characteristics: Individual factors and informal firm characteristics frequently influence the supply of informal entrepreneurs. Ease of entry into the sector has motivated many people to engage in the activity, despite obstacles such as lack of adequate capital, the difficulty in accessing a bank loan, and a lack of skills or resources (Becker, 2004). Also some individuals prefer to become self-employed rather than wage-employed, foregoing formal jobs in favour of informal self-employment for its benefits (Yusuff, 2013). The persistent growth of the sector, especially in third-world countries like Nigeria, can largely be attributed to these factors.

3.2 Nature and character of informal entrepreneurship in Nigeria

It is important to reiterate that the existing literature on informal entrepreneurship in Nigeria does not provide a clear picture of the operational patterns and characteristics of the participants among

different groups, particularly in relation to rural and urban or affluent and deprived localities because significant studies were concentrated on urban areas, with emphasis on the employment and income generating capacity of the sector.

3.2.1 Variations in the nature/character of informal entrepreneurship by locality and region

Regarding participation in the informal entrepreneurial activity in different types of localities, few extant studies note the presence of informal micro-entrepreneurs in both rural and urban areas, and affluent and deprived localities (Fajana, 2008; Simon, 1998). Literature states that informal entrepreneurial practice cuts across all regions. However, the degree, intensity, types and preferences vary (Zakaria, 2001). Particularly in the northern region, the activities vary from one geographical area to another, from locality to locality, and even at household level (Zakaria, 2001), depending on access to raw materials. A common characteristic of the productive sector of Nigerian informal entrepreneurship is that participants tend to concentrate on particular products whose raw materials are cheaply sourced locally. For example, Kanuri specialises in Fez-making and Nupe in pottery, ceramic, and bronze works. Amongst the Hausa ethnic group, Zaria specialises in garments and embroidery, Sokoto in leather works, and Kano in general merchandise (Zakaria, 2001).

A few studies (e.g. Onyenechere, 2011) have provided insight into rural informal entrepreneurial activities, particularly in food supply and processing activities. In addition to this, rural informal entrepreneurship encompasses petty trading, vocational enterprises, and handcrafts of varied types. Onyenechere (2011) empirically confirmed the presence of a higher proportion of petty traders, sizeable food processors, and few handcraft micro-entrepreneurs among women in Imo state, and also confirmed that rural women's informal entrepreneurial activities vary significantly among localities and are unevenly distributed among trades, even locally. The study further suggests that the uneven distribution of the participants is primarily caused by ecological factors, changing gender roles, differences in patriarchal gender relations, and the level of human capital development amongst localities.

3.2.2 Variations in the nature/character of informal entrepreneurship by culture and ethnicity

Ethnicity plays a very prominent role in the organisation and conduct of informal entrepreneurial activity in Nigeria. Evidence of ethnic domination in certain informal entrepreneurial activities has been reported by many studies (Meagher, 2009a, b, & c; Olutayo, 1999; Onokerhoraye, 1977; Porter et al., 2003; Zakaria, 2001). Onokerhoraye (1977, p. 54) noted that this concentration of certain ethnic groups in specific occupations is one of the major characteristics of the enterprises in the informal sector of African cities. In Nigeria, for example, many tribes have distinctive informal entrepreneurial orientation, values, and concentration in some entrepreneurial activities. There are also popular

informal businesses that are known to be peculiar to certain ethnic groups. For example, meat selling from the sales of cattle to butchering is dominated by the Hausa tribe and extends to neighbouring West African countries such as Ghana (Hart, 1973). They also dominate informal foreign currency exchange business across the country. The Igbo have dominance in electronic, stationary, automobile spare parts, and building materials among others. Meagher (2009c, p. 38) asserts that trading in automobile spare parts “has remained essentially Igbo business”. The Yobuba tribe on the other hand, were more populated in the informal service sector, such as taxi-driving and auto-mechanic repairs and services (Onokerhoraye, 1977; Meagher, 2009c).

In addition, there are certain variations in the operations of the informal entrepreneurs across regions and ethnic groups in Nigeria. The variations often involve cultural differences (Zakaria, 2001). For example, there are high rates of female participation in market-like informal activity in both Igbo and Yorubaland, in contrast to Hausaland where men predominate, owing to the cultural tradition of *purdah* (seclusion). Therefore, historical antecedents and socio-cultural forces have contributed towards diversities in informal products and services between communities, localities, and regions as a result of differences in cultural values and orientations, norms, and traditions.

3.2.3 Variations in the nature/character of informal entrepreneurship by income and employment status

It is common to classify informal entrepreneurs by type of participation, namely whether on a full- or part-time basis. For example, Simon’s (1998) survey on small-scale informal retailing in Kaduna found that the majority of respondents were full-timers, with the 15% who were part-timers combining retail trade with other forms of employment, sometimes formal. The study also found that the latter group included civil servants whose participation was spurred by the need to supplement inadequate wages from formal work. In another dimension, Fajana (2008) points out that formal employees combined formal work with trading among work peers. Similarly, Oluranti (2011) discovered the presence of “gap fillers” among the commercial motorcycle taxi riders, particularly within the owner-operators; they partake in the activity casually during peak business periods (early morning and later afternoon). These studies evidence the practice of moonlighting and straddling among Nigerian informal entrepreneurs.

Numerous studies (Fajana, 2008; Oluranti, 2011; Simon, 1998) have disclosed interesting findings regarding variations in informal entrepreneurs’ earnings. For example, Oluranti’s (2011) survey on commercial motorcycle taxi riders provides empirical evidence that 86% of operators earn substantially more than the national minimum wage. The finding shows that the monthly earning of hired operators is ₦33, 334 naira, whereas owner riders earned a slightly higher income of ₦42, 174

naira monthly. However, the mean monthly earning for all the respondents is ₦38, 211 naira. Generally, earnings in informal entrepreneurship are relative to the types of activities and skills possessed by an individual (Tokman, 1989). It is necessary to exercise restraint in over-generalisation, given the significant variations in the income amongst different types of participants.

3.2.4 Variations in the nature/character of informal entrepreneurship by gender

Informal entrepreneurial activities in Nigeria differ according to gender, often as a result of religious and cultural variations. In general, women are found to have higher participation in home-based entrepreneurial activities (Cole, 1991; Frishman, 1991; Pittin, 1984). Many commentators (Das, 2003; Sethuraman, 1998) have seen this inclination to be a consequence of women's commitment to household responsibilities. The concentration therefore results from the convenience with which they can combine their economic activities with family obligations.

In the northern region, however, Simon (1998) discovered a higher incidence (72%) of male involvement than female (28%). The author attributes this to socio-cultural forces, such as the practice of seclusion (purdah) amongst Muslims. Simon (1998) maintains that such tendencies are predominant in all Muslim-dominated areas of Northern Nigeria. Nonetheless, some scholars argue conversely (Coles, 1991; Frishman, 1991; Trager, 1987). For example, Trager (1987) argues that there is a sizeable percentage of women's participation in Northern Nigeria although they tend to be less visible.

Apart from purdah, low participation of women has its roots from men's social status and role-definition in Nigerian societies. Variations abound across Nigerian culture. For example, Hausa culture is generally 'patriarchal with strong paternalistic tendencies' in which men are solely responsible for the economic and social security of their womenfolk (Zakaria, 2001, p. 113), and enjoins a man to provide full sustenance for his family. In Hausa culture, therefore, men are fully responsible for family upkeep, while women are responsible for household duties (matrimonial obligations and children's upbringing). Their economic role is considered complementary (Muhammad, 2010), a conception that makes them economically dependent on men.

Women's restriction from participating in some types of informal economic activities applies mostly in Northern Nigeria; in the south-west and south-east regions, women have fewer restrictions. For instance, Yoruba women in the south-west have a very long history of independent commercial activities (Das, 2003; Trager, 1987) and have been involved in long-distance trading activities since the pre-colonial period (Yusuff, 2011). Similarly, in the south-east, according to Onyenechere (2011), female seclusion is uncommon and Igbo women have considerable economic independence. This allows them to bear economic responsibility and 'exercise some economic agency in the family structure', not solely dependent on their husbands to provide everything (Onyenechere, 2011, p. 31). Consequently, women's participation in informal entrepreneurial activities in market trading, street

vending, retailing, and other non-domestic activities is very high. In some areas women dominated the sphere in contrast to the northern region where males dominated market and retail trading (Okojie, 1984). Therefore, environmental circumstances, societal expectations, and role definitions are crucial factors in determining male/female rates of participation in informal entrepreneurship.

However, some scholars (Halkias et al., 2011; Idowu, 2011) have attributed this imbalance to the existence of male- and female-centric occupations. Within informal entrepreneurial activities, some activities are segmented along gender lines. Therefore, the nature of activities ventured into by male and female differs at times. Idowu (2011) explains that men are more likely to engage in more physically or technically demanding and risky ventures like construction, engineering, repairs, and maintenance, manufacturing, etc. whereas women are more likely to engage in service-related occupations, such as retail, restaurant, hospitality, educational services, and the like. Occupations requiring specialised skills are more male-oriented, while those requiring simple manipulation are women-centric (Biles, 2009). Biles maintains that women's preference for these occupations reflects the fact that they require little technical know-how and can be simply operated and conveniently combined with household responsibilities (Chen, 2005; Ybarra, 1989). Culture also plays certain roles in gender segmentation in informal entrepreneurial activities; many types of informal business activities are assumed to be male occupations, and, as such, women are culturally barred from participation (Das, 2003; Halkias et al., 2011; Idowu, 2011).

3.2.5 Variations in the nature/character of informal entrepreneurship by economic sector

In addition to spatial and social variations in the nature and character of informal entrepreneurship, the configuration of the sector also manifests variations. Hence, informal entrepreneurial activities vary significantly across industries and occupations. However, participants tend to concentrate on non-precision manufacturing and production that use locally sourced raw materials like agricultural products and processing of semi-finished raw materials as inputs for local and foreign manufacturing firms (Arimah, 2001; Ubogu et al., 2011). Another larger group concentration is found in businesses like restaurant services, furniture production, automobile repairs, garment, construction work, etc.

Again, economic activities conducted in informal sector entrepreneurship are not of equal size. Some 'are dynamic, innovative and growth oriented' (Obadan and Agba, 1996, p. 3) and have the potential for sustainable growth and transformation, e.g. carpentry, metal fabrication, plumbing work, etc., while others are 'traditional and prefer to remain small', for example, barbers, blacksmith, and others.

In the informal entrepreneurship literature two major types (subsistence and dynamic) are identified with different sets of characteristics, albeit they are placed on a continuum (Das, 2003; O'Connor, 1983; Seibel, 1996a; Trager, 1987) which allows transition from lower to upper tiers. O'Connor (1983, p. 155) explains that participants can start 'from street hawkers to foreign-owned motor show rooms'.

In most developing countries, the lower level comprises the bulk majority of the participants compared to the upper level, owing to different entry requirements (Otu et al., 2010). Table 3.2 shows the sectoral classifications of informal entrepreneurial activities.

Table 3.2: Classifications of informal entrepreneurial activities by sub-sector and categories

Sub-sectors	Own-account subsistence/survivalists (limited growth potential)	Informal micro-entrepreneurs (growth-oriented)
Manufacturing enterprises	Subsistence production, e.g. snack foods, embroidery and garment workers, etc.	Small-scale manufacturing e.g. owners of bakery, fabrication, and metal workshops, carpentry workers, etc.)
Commercial enterprises	Petty commodity trading, e.g. retailers, street vendors, hawkers, etc.	Wholesalers, distributors, dealers, middlemen and agents, etc.
Service enterprises	Low-skilled services, e.g. cart-pullers, car-washers, shoe-shiners, grain or tomato grinding operators, itinerant photographers, roadside barbers, etc.	Wholesalers, distributors, dealers, middlemen and agents, etc.
Financial services enterprises	Few savings and contributions, trade credit, ROSCA, etc.	Large-scale savings and contributions, foreign currency exchange, etc.

Sources: Anheier, 1992 ; Meagher and Yunusa, 1996; Obadan and Agba, 1996; Seibel, 1996a; Trager, 1987.

It is evident from the foregoing review that there exist variations in the nature and character of informal entrepreneurship in Nigeria. Nevertheless, little is known about variations in the characteristics of different groups of participants' neighbourhood types, gender, age, educational and income levels. Do informal entrepreneurs demonstrate heterogeneity in their character based on demographic characteristics? Do their types of activity vary due to gender of the participants? These form part of the issues that are yet to be thoroughly examined and exposed in the context of Nigeria and Zamfara more particularly, and therefore a knowledge gap that needs to be filled.

3.2.6 Variations in informal entrepreneurs' motives

As indicated earlier, literature and research on the motives of informal entrepreneurs are scant in Nigeria. Only one study (set in Lagos) investigates the motives for women's engagement in informal entrepreneurship (Yusuff, 2013). However, a few scholars (Oluranti 2011; Onyebueke, 2013; Swindell et al., 1999) have reported some aspects related to the motives of participants in their studies. As elsewhere, the initial assumption was that such participation is universally necessity-driven, which

might explain why informal entrepreneurship scholars in Nigeria pay little attention to investigating the motives for engaging in the endeavour.

Anecdotally, growth-oriented informal entrepreneurs are mostly motivated by profit, just like their counterparts in the formal sector. These types correspond to the income accumulators among the informal entrepreneurship. An early study with contemporary relevance by Harris (1971) revealed that the vast majority of Nigerian entrepreneurs gave financial and monetary reasons for their engagement in entrepreneurial activity. This suggests that informal entrepreneurs are similarly likely to be motivated by pecuniary reasons. While little is known empirically about the motives of informal entrepreneurs at the lower rung of the informal entrepreneurship hierarchy, substantial anecdotal evidence suggests these participants are requirement-driven entrepreneurs.

However, the motives of some own-account holders vary. According to Swindell et al. (1999) they are mostly motivated by two simultaneous reasons: making a profit, and making a living. For the motorcycle taxi riders in Lagos and Ogun states, Oluranti (2011) found that the principal motive of engaging in such activity for the majority was to raise start-up capital (69% among the hired operators; 80% among the owners), essentially as a 'stepping-stone' (Bennett, 2009). For the moonlighters among the motorcycle taxi riders, engagement was motivated by the need to supplement their incomes from other sources. For these participants, engagement in informal entrepreneurial activity was more of income growth and accumulation-driven motivations.

More generally, in terms of occupation, Onyebueke (2013) found that in Enugu, the primary reasons for engaging in informal businesses for the majority of the sample surveyed was inheritance/family business (44%), followed by increased income (35%), to seize a business opportunity (14%), and unemployment (7%). In Enugu, therefore, the motives of the majority reflect a historical legacy, closely followed by subsistence and a requirement-based one.

With regard to gender, the drivers of women's participation in informal entrepreneurship, according to the few studies that exist, include the flexibility of combining reproductive and productive roles; family support (supplementing family income); inheritance (family tradition); and income generation and unemployment (Adedekun and Akande, 1998; Yusuff, 2013). However, Yusuff (2013) combines the reasons as two thematic factors: the economic (monetary) and non-economic (socio-cultural) factors.

Regarding variations in the motives of informal female entrepreneurs, Yusuff (2013) found some dissimilarity in the motives of older and younger informal entrepreneurs in textile traders at Balogun market, Lagos. Even though they were all motivated by psychological (a desire for success), economic and social-cultural factors, younger participants tend to be motivated more by economic factors, such as the expectation of higher income and unemployment, than socio-cultural factors, like family

inheritance, a sense of achievement and cultural values. The converse was true for older participants. To confirm variations in the motives of informal entrepreneurs in Zamfara, therefore, further investigation is required in this direction.

3.3 Roles of trust, social networks and informal associations in the governance of informal entrepreneurship in Nigeria

The works of scholars from various social science disciplines including anthropology, development studies, economics, geography, and sociology and recently management and entrepreneurship have brought to the surface the roles of trust, social networks, and informal associations in local economies and entrepreneurship development, particularly the efficiency of informal market institutions and market and trade associations in promoting peaceful co-existence and operational efficiency of the markets (Lyon and Porter, 2009; Porter et al., 2003). These concepts are therefore central in illuminating the roles of informal institutions in governance of local economic and entrepreneurship activities.

3.3.1 Trust and informal entrepreneurship

According to Meagher (2005), trust is one of the social institutions that provides a platform for the existence of strong networks that facilitate a regulatory framework within which the activities of the informal entrepreneurs are governed. Lyon and Porter (2009a, 2010) argue that trust is the most important element governing informal entrepreneurial activity in Nigeria.

Trust among informal entrepreneurs is regarded as a strong source of social capital that operates independently of the state (Meagher, 2005, p. 218). Hence, informal associations such as credit societies, trade associations, hometown identities, and associations provide credit and other social welfare services of varied types and forms which are largely dependent on trust. In fact, trust-based transactions are what govern trading relationships between customers and their clients. It is also extended to inter-ethnic relationships which ensure peaceful co-existence in Nigeria's informal markets. As a result, most transactions are built on trust rather than legal contractual agreements (Lyon and Porter, 2009, 2010). There thus exists a high level of trust between informal market operators (Adejobi and Ayinde, 2005) and a great reliance on it in most informal business transactions (Lyon, 2007). Consequently, a substantial proportion of informal business transactions are carried out informally without any formal or written agreement (Adamu et al., 2005; Lyon and Porter, 2009a, 2010).

Another type of mutual trust governing informal market transactions is that which evolves from generalised norms of morality (Lyon and Porter, 2009a) that form the basis of building and maintaining personalised trust among informal entrepreneurs. In the informal markets certain actions are considered unacceptable. The most common include deception, abuse of promise, and breach of

agreements (usually verbal contracts), snatching customers or outbidding fellow traders (Lyon and Porter, 2009a). In fact, a snatching of customers from a fellow trader is considered as abhorrent. Owing to the moral economy and trust, cut-throat competition among sellers of similar or same types of product is reduced to the minimum level. In the market, it is abhorred to outsmart the side vendors, and violation of such norms and conventions used to be costly through sanctions and denial of access to benefits enjoyed by members (Adamu et al., 2005).

Informal traders are also bonded together by *esprit-de-corps*. For example, vendors selling the same products at times look after their side vendors' commodities while attending to other pressing issues. Similarly, there exist self-help institutions and cooperation between market operators in the form of lending each other equipment, sharing orders, and collective action (Ahmed and Rikko, 2005).

3.3.2 Social networks and informal entrepreneurship

Social networks are very strong economic instruments fostering informal entrepreneurship in Nigeria, particularly among the Igbo ethnic group (Meagher, 2005, 2009a, 2010). Among the important roles as mentioned earlier, is serving 'as conduit of resources and economic trust' (Meagher, 2005, p. 232) such as providing access to loans, inputs, and facilitation of production resources sharing systems (Ahmed and Rikko, 2005). These are in addition to other mutual aid trust and schemes used to assist members, particularly at times of adversity like any loss of assets or other economic calamities. Portes et al. (1989) noted that social networks provide the basis for an overarching solidarity that facilitates effective cooperation and a more appropriate form of coordination among informal entrepreneurs. Supporting this argument, Meagher (2009a, p. 12) asserted that social networks and solidarity are key factors 'behind the success of African ethnic trading networks', such as that of Hausa and Igbo ethnic groups in West Africa. Igbo trading networks in particular are seen by many commentators as a factor underpinning the tendency of Igbo to excel in some trades (Kennedy, 1995; Meagher, 2011; Nnadozie, 2008; Olutayo, 1999). Meagher (2010) observed that the Igbo ethnic group is especially renowned for its success in entrepreneurship, largely owing to their effective apprenticeship system, training, credit networks, and trade associations.

3.3.3 Informal associations and informal entrepreneurship

A vast literature exists on the role of informal (popular) associations in economic development in Nigeria. Many scholars (Adamu et al., 2005; Lyon and Porter, 2009a, Meagher, 2005, 2009a, 2010; Porter et al., 2004, 2010) underlined their contributions in strengthening economic collaborative relations, improving productivity and efficiency, and serving as 'nurseries of trust' (Meagher 2010, p. 2), learning institutes, and regulators of entrepreneurial activities at the informal level. They play a crucial role in informal entrepreneurship activity cutting across socio-economic, political, and regulatory functions (Porter et al., 2010).

From a socio-economic perspective, they enhance cooperation based on trust and operate under culturally instituted norms and conventions that benefit members by reducing transaction costs and providing security of members' commodities. From a political perspective, they are used to canvass support by politicians and are a medium for public enlightenment. The roles of informal associations from the regulatory perspective are abundant: they enforce local trading conventions, regulate bargaining procedure and supplies in order to reduce competition, sanction offenders, manage space allocation, and settle disputes between trader groups and individual traders. Owing to the effectiveness and efficiency of the regulatory function of informal associations, police intervention is on invitation, mostly on criminal issues (Adamu et al., 2005; Adebayo, 2005; Lyon and Porter, 2009; Porter et al., 2004; 2010; Porter and Lyon, 2005).

The roles of trade associations in particular are important in facilitating informal entrepreneurship activity in Nigeria. These include provision of welfare and support, provision of credit to one another, sharing market information, enforcing regulations by ensuring that rules on trading practices are followed, building market infrastructure, setting prices, keeping internal order through dispute settlement and ensuring security, and maintaining external relations with the authorities by lobbying local government officials, policy makers, and politicians for the improvement of market infrastructure, etc. (Adamu et al., 2005; Adebayo, 2005; Ahmed and Rikko, 2005; Lyon and Porter, 2009; Meagher, 2009; Porter et al., 2004). They are however, accused of forming cartels, restricting supplies and thereby creating monopolies, in addition to manipulate prices with a tendency to exploit both suppliers and consumers (Lyon, 2003).

It is interesting to note that the majority of the trade and market associations are formally registered with at least the local authority, and many have strong connections with the state. Their connections with the latter facilitate quasi-state arrangements in the regulation of informal enterprises (see the section below). Notwithstanding the registration of some informal associations, there are many types that are purely informal in both their nature and operations.

3.3.4 Informal associations and structural relationship with state

The diminishing state involvement in welfare services and a fall in employment have made associations more pervasive and socially entrenched in economic activities (Meagher, 2005). Meagher (2005, p. 217) pointed out that informal economic arrangements based on familial and social structures are well embedded and highly ingrained in contemporary economies. In essence, informal market associations are filling in the formal institutional voids that 'hinder the smooth operation of the market' (Adebayo, 2005, p. 118). Consequently, various types of informal entrepreneurial institutional arrangements have been recognised as having the potential to cushion the effects of inadequate public policy and the regulatory framework of the formal institutions, as institutional voids theory suggests.

Even though they operate independent of the state, a number of commentators (Meagher, 1995) have described these associations as highly effective and more responsive to the economic and social needs of their members and the general public than the state institutions (Meagher, 1995; World Bank, 1989). As an acknowledgment of their positive economic roles and resilience, the Nigerian government has begun to introduce economic policy measures that recognise and draw attention to the benefits of these informal institutions. For example, group lending was introduced to reduce the level of bad debt accruing from public lending and was also meant to encourage the formation of cooperatives for the economy to draw much from its benefits.

With regard to the relationship between informal associations and the state, it exists in varied forms. Often a cooperative and synergistic relationship is maintained. Some of the benefits that can be derived from a good relationship between informal associations and the state include formal institutional support and sparse public sector regulations, protection of commercial property, and negotiating of taxes. Those from formal institutions include voluntary tax payment and taking responsibility for collecting revenue for the authorities (Adamu et al., 2005 on Sokoto; Lyon and Porter, 2009 on Jos; Meagher, 2013a on Kano). However, at times a less cooperative relationship exists, mostly when the informal associations consider the action of the formal institutions to be detrimental to their interests.

In the governance of informal entrepreneurial activity, many quasi- and semi-formal associations and organisations have also emerged, mainly for three reasons: a) informal entrepreneurs' interest in taking advantage of registration in order to access government welfare services and assistance; b) government's interest in having access to the leadership of the associations to ease the regulation of their activities; and c) the interest of the politicians to canvass support from the multitude of operators in some of the informal associations (Meagher, 2013a). These types of quasi and semi-formal associations and organisations have strong connections with the state, and in turn the state uses them in quasi-regulatory arrangements. Therefore, purely informal and less formal or semi-formal associations play crucial roles in the governance of informal sector entrepreneurial activity (Adamu et al., 2005; Porter et al., 2004).

As examples, Meagher (2013a) describes four associations whose activities are operated informally but whose unions have registered with the authorities in order to take advantages of these benefits. The associations include the Amalgamated Commercial Motorcycle Owners and Riders Association of Nigeria (ACOMORAN), the National Butchers Union of Nigeria, the Food and Beverages Sellers Association, and the Tyre Sellers Welfare Association. Given their registration status, these associations have access to the government, and their members have enjoyed a number of benefits from the state such as loans of motorcycles to operate, with repayments made on an instalment basis. ACOMORAN in particular, owing to its large number of members, has a higher political profile and

influence, both at state and national levels. As highlighted by Meagher (2013a, p. 218) ‘Governors and even presidential candidates have taken an active interest in the leadership of the organisation at the federal and state levels.’ Consequently, this has privileged members’ access to state social welfare assistance.

Given the benefit of registering with the public authorities, many of the informal entrepreneurs’ associations have registered, at least with the local government, though their activities remain informal (Meagher, 2013a). This increases the number of quasi-informal associations or organisations in Nigeria, with an overlap with formal organisational arrangements in the manner in which they govern their activities (e.g. National Union of Roads Transport Workers (NURTW), ACOMORAN, MEIYETTI ALLAH Cattle Breeders and Rearers Association, among others (Adamu et al., 2005). All these associations are registered with the authorities and are highly organised. They embrace features of formal associations and their leaders emerge through democratic processes instead of lineage, and are mostly governed by written constitutions, rules, and regulations, in the form of by-laws. Notwithstanding this, they still retain some features of traditional functions because their primary goal is to provide support and protect the interests of their members who are mostly informal entrepreneurs (Meagher, 2013a; Porter et al., 2004).

However, failed promises by politicians and the poor behaviour of government officials through corruption has led to a very low level of trust among both citizens (Porter et al., 2004) and among informal entrepreneurs. Informal institutions earn more recognition and loyalty than the formal ones. This has paved the way to their playing a very significant role in the regulation of the activities of the informal entrepreneurs. Hence, informal institutions provide a platform that facilitates regulatory framework within which their activities are governed. Consequently, an institutional void has led to the supremacy and ascendancy of informal institutional regulatory provisions (traditional market institutions and trade associations) over those of the state in the governance of informal entrepreneurial activities (Meagher, 2007, Meagher, 2013a). Every member must comply with his/her association rules or otherwise face heavy penalties, such as withdrawal of membership, denial of benefits, or exclusion from the market (Adebayo, 2005; Lyon and Porter, 2009).

3.4 Policy environment and the development of informal entrepreneurship in Nigeria

The economic policy environment of a country partly determines the entrepreneurial landscape in that country. This is because the policy environment often stimulates, defines, and regulates entrepreneurial activities. It also influences the operational efficiency and general performance of the enterprises, both formal and informal, in a given setting (North, 1990). African countries in general, as pointed out by Elkan (1988), tend to adopt laissez-faire economic policies when compared with developed countries. Nigerian economic policies more specifically have not been hostile to informal entrepreneurs but have devoted less attention to them during the early period of independence (Simon,

1998). The major economic policies pursued by the country since its independence in 1960 are briefly outlined in Table 3.3 below.

Table 3.3: Summary of the major Nigerian economic policy thrust since independence

Policy	Major strategies and objectives
<i>Import Substitution Industrial Strategy 1960</i>	<ul style="list-style-type: none"> • Reduce overdependence on imported consumer goods • Lay the foundation for the take-off of the indigenous industries
<i>First National Development Plan 1962-1968</i>	<ul style="list-style-type: none"> • Promulgation of the Company Act of 1968 • Policy for the take-off of indigenous industries
<i>Second National Development Plan 1970-74</i>	<ul style="list-style-type: none"> • Reconstruction of the war-torn economy • Promotion and expansion of the industrial sector • Promotion of indigenous industrial ownership through the Nigerian Enterprise Promotion Decree 1972
<i>Third Development Plan 1975-80</i>	<ul style="list-style-type: none"> • Continues with an indigenisation policy • Introduction of entrepreneurship development programme
<i>Fourth Development Plan 1981-85</i>	<ul style="list-style-type: none"> • Reducing the dependence of the economy on oil through boosting agriculture and self-employment • Promotion of agro-allied enterprises
<i>Structural Adjustment Programme (SAP) 1986</i>	<ul style="list-style-type: none"> • Diversification of the productive base of the economy • Preservation of foreign exchange to reduce balance of payment disequilibrium • Adoption of more market-oriented measures • Trade liberalisation and rationalisation of public enterprises
<i>The Rolling Plans 1990-1998</i>	<ul style="list-style-type: none"> • Stimulate private sector development • Financial deregulation and trade liberalisation • Establishment of People's and Community Banks
<i>National Economic Empowerment and Development Strategy (NEEDS)</i>	<ul style="list-style-type: none"> • Wealth creation, employment generation, poverty reduction and value re-orientation through: reforming government and its institutions, growing the private sector and re-orientation of the people with an African value system
<i>Seven-Point Agenda</i>	<ul style="list-style-type: none"> • Infrastructural development and empowerment of the citizens via seven physical and social infrastructures: power and energy, food security, wealth creation, transport sector, land reforms, security and education
<i>Economic Transformation Agenda</i>	<ul style="list-style-type: none"> • Promotion of sustainable economic growth and the enhancement of the welfare of citizens • SMEs guarantee scheme and counterpart funding schemes

Sources: Adenuga et al. (2010); Mordi et al. (2010); NBS (2011); NPC (2009); Onyebueke (2013); Raimi (2015)

Some of the policies and strategies relevant to informal entrepreneurship were those linked to Micro-, Small, and Medium Enterprises' (MSMEs') development and self-employment, and also those connected with reducing unemployment. Three out of the four main objectives (wealth creation, employment-generation and poverty reduction) of the NEEDS programme were directly connected to development of entrepreneurship, and "wealth creation". Under the Seven-Point agenda, wealth creation was directly linked with entrepreneurship while the remaining six areas had a relative connection. On the other hand, the SAP programme increased the rate of participation as a result of the increased economic hardship of Nigerian citizens (Abumere et al., 1998; Dawson, 1994; Meagher and Yunusa, 1991; Mustapha, 1991; Soetan, 1997; Ubogu et al., 2011).

Ironically, most of these programmes have hardly been accessed by informal entrepreneurs due to limited access to formal institutions, information asymmetry, and lack of awareness or ability to meet the requirements, with poor organisation or management and a lack of knowledge regarding the effective writing of applications (Raimi, 2015).

It is worth noting that different governments have had different enterprise policies, mostly owing to government priority and ideology or the prevailing economic circumstances of the country at a particular period. For example, during the regime of General Muhammadu Buhari (1983–85), due to government policy of War Against Indiscipline (WAI) aimed at restoring discipline and ensuring law and order in the country, informal entrepreneurs, particularly street vendors, suffered intermittent harassment and massive destruction of their temporary sheds, kiosks, and stalls in major cities across the country. This destabilised the activities of the majority of participants, especially roadside mechanics, vendors, and retailers.

It is interesting to note, however, that successive governments have introduced favourable policies and approaches aimed at promoting and developing micro-entrepreneurship, both formal and informal. For instance, under President Ibrahim Babangida's regime 1985–92, the government exempted all locally manufactured household products from income tax. In an attempt to develop micro-enterprise, the government also established many agencies with schemes aimed at promoting micro-entrepreneurship, formal and informal alike. The period of 1987–92 saw the establishment of many programmes and schemes for micro-entrepreneurship development via training and skills-acquisition, and credit and marketing assistance. These include the National Directorate of Employment (NDE), the Better Life for Rural Women Programme (BLP; 1987), National Economic Reconstruction Fund (NERFUND; 1989), the establishment of the Peoples' Bank of Nigeria, and of community banks (1990) to facilitate micro-lending, modelled on the Grameen Bank of Bangladesh. Among the credit schemes introduced were the Small-Scale Industries Credit Scheme (SSICS), and Small and Medium Enterprises Investment Initiative (SMEII).

Between 1993 and 1998 other programmes were added, either as a replacement for, or supplement to, poverty alleviation. For example, the Family Support Programme (FSP), later renamed the Family Economic Advancement Programme (FEAP), replaced the Better Life for Rural Women Programme (BLP) and the Poverty Eradication Fund (PEF) as a supplement to the National Directorate for Employment (NDE). In addition, the Obasanjo regime 1999–2007 reinvigorated some programmes and institutions for effective service delivery and functionality, leading to the renaming and expanding of the mandates of the PEF to the National Poverty Eradication Programme (NAPEP) and Peoples' and Community Banks to Micro Finance Institutions (MFIs). The same government mandated all commercial banks to set aside 10% of their pre-tax profit for equity investment in MSMEs which gave birth to the Small and Medium-sized Enterprises Equity Investment Scheme (SMEEIS) to finance the establishment of MSMEs for the growth of small-scale industries to alleviate poverty and increase employment opportunities. In this direction the government established the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2003, Entrepreneurship Development Centres in six geopolitical zones in the country in 2006, and Cluster Concept Industrial Development Strategy (CCIDS) in 2007.

The regime of President Goodluck Jonathan (2010–15) made similar efforts by introducing some initiatives aimed at promoting micro-entrepreneurship development in both formal and informal sectors. Some of his government initiatives include Youth Enterprise with Innovation in Nigeria (YOUWIN); Train to Work (TRATOW) Initiative, Micro-, Small, and Medium Enterprises Development Fund (MSMEDF), and Nigeria Enterprise Development Programme (NEDEP) among others.

The summary of objectives and targets of some government programmes that have relevant schemes for informal entrepreneurship are tabulated in Table 3.4 below.

Table: 3.4: Summary of the objectives and mandates of some government programmes relevant for informal entrepreneurship

Programme	Objectives/schemes
<i>National Directorate of Employment (NDE)</i>	<ul style="list-style-type: none"> • Youth empowerment and skills development • Training in entrepreneurship for retired and retrenched workers who wish to use their gratuities to start a business • University /college graduates willing to be self-employed • Informal entrepreneurship who wish to enhance their skills and expand their business Fatula (1989, p. 50)
<i>National Poverty Eradication Programme (NAPEP)</i>	<ul style="list-style-type: none"> • Promotion of skills-acquisition • Provision of seed capital and facilities like tricycles on loan • Youth empowerment for direct job creation
<i>Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)</i>	<ul style="list-style-type: none"> • Development of Micro, Small and Medium-sized Enterprises Development Strategies; • Rural enterprise sector development strategies: <ul style="list-style-type: none"> -Rural enterprise development initiative, -Rural women's entrepreneurship, and -Entrepreneurship enhancement programme • Establishment of Business Support Centres (BSCs) and Business Information Centres (BICs) for the provision of business development services • Initiating collaboration with financial institutions to ease access to finance for MSMEs development (SMEDAN/NBS, 2012)
<i>Cluster Concept Industrial Development Strategy (CCIDS)</i>	<ul style="list-style-type: none"> • Creation of a stable and favourable business environment • Improve collective efficiency, inter-firm technology and knowledge transfer and other benefits • Improve utilisation of resources and adequate supply of infrastructural facilities • Creation of free trade zones, industrial parks and clusters, enterprises, zones, and incubators (FMCI, 2007)

Sources: Fatula (1989); FMCI (2007); SMEDAN/NBS (2012)

The establishment of NDE in 1987 marked the beginning of the government's explicit and direct effort towards the promotion and development of informal entrepreneurship in Nigeria. Out of the four articulated programmes of the directorate, three have direct connection with informal micro-

entrepreneurship development. Turning to NAPEP, among the schemes under the programme, Youth Empowerment Scheme (YES) is the most relevant to informal entrepreneurship. The most pertinent aspects among the mandates of the SMEDAN are acceleration of rural entrepreneurship and enterprise development initiative, entrepreneurship enhancement programmes, and facilitating of technical and managerial training to small-scale industries such as business incubation. Among the initiatives of CCIDS, creation of enterprises zones and industrial parks are relevant in solving problems related to permanent business locations for informal entrepreneurs, especially in the urban centres. Most of the programmes centre on training and skills acquisition, improving access to finance, provision of information and business development support services, and creation of enterprise zones and clusters. A pertinent question is ‘do informal entrepreneurs have access to these services and are they adequate’? It is then necessary to examine whether informal entrepreneurs in Zamfara are availed of the required services that can improve their conditions. If not, what would they like to be provided with in order to enhance their activities? This helps to assess their condition and identify gaps and incongruities that need to be addressed for the improvement of their entrepreneurial activity.

The literature suggests that despite the government programmes and initiatives, there is no specific policy addressing informal entrepreneurship in all three tiers of governance (Abumere et al, 1998; Mordi et al., 2010; Otu et al., 2010). Government policies tended to focus on formal SMEs alone (Mordi et al., 2010; Onyebueke, 2013). Very few policies exist at the national level specifically targeting informal entrepreneurship. Instead, policies relating to the informal sector are lumped together with SME policy (Abumere et al., 1998; SMEDAN/NBS, 2012). The fact remains that they receive little support from formal institutions (Meagher, 2011, Seibel, 1996c). Therefore, the participants in the sector, as asserted by the secretary-general of the Federation of Informal Workers of Nigeria (FIWON) Mr Gbenga Komolafe, suffer from serious neglect by the government in terms of provision of basic needs (Ahmadu-Suka, 2013). There is a lack of consideration of the sector in urban planning structure and allocation of business premises, and an incorrect interpretation of law leading to destruction of members’ stalls, kiosks, and shades in major cities by rent-seeking government officials (police and task force officials).

3.5 Chapter summary

This chapter focused on the context and patterns of informal entrepreneurship practices in Nigeria, critically examining the economic and political context within the informal entrepreneurship is developing, determinants of the rate of participation in the activity, its nature, character, and motives, concluding with a brief review of government policies.

Informal entrepreneurship is pervasive, its diversity and heterogeneity evident in the composition of the participants. In short, the sector is marked by socio-spatial variations, both by the enterprises’ and entrepreneurs’ tendencies. However, very few studies have explored these variations in relation to

different groups of participants involved in informal entrepreneurship in the context of Nigeria and Zamfara state more particularly, and therefore a knowledge gap that needs to be investigated in order to explore the practices of informal entrepreneurship comprehensively.

The review has shown that in all three tiers of the Nigerian government (federal, state, and local government) there are no specific policies for the informal sector entrepreneurship. Hence the sector must fend for itself. In the absence of adequate policy initiatives, therefore, some supportive and integrative policies need to be proposed that could help to reduce the institutional asymmetry, problems limiting their growth and optimal performance for voluntary and gradual transition of some operators to the formal sector. This study intends to fill this gap by proposing a strategic model of integrative supportive measures that could improve the conditions of the actors to encourage their voluntary formalisation and enhance their potential contribution to the economic growth and development of Nigeria.

In conclusion, the following have been identified as knowledge gaps:

- There is limited empirical research on the nature and character of informal entrepreneurship in Zamfara state.
- There is very limited research that explores the motives for engaging in informal entrepreneurship in Nigeria, and specifically Zamfara state.
- There is also very limited research that investigates the characteristics and motives that relate to different groups of participants in the informal sector entrepreneurship in Nigeria.
- There is little empirical research that evaluates the relevance of the theories of informal economy and institutional theory in explaining informal entrepreneurship in the context of Nigeria, more particularly Zamfara state.
- Little empirical evidence exists about how the conditions of informal entrepreneurs could be improved in order to have more confidence in the government and stimulate desire to voluntarily formalise their ventures.
- An understanding of policy measures and approaches that could improve conditions and encourage and facilitate the gradual and voluntary formalisation of informal entrepreneurs is required in order to assist governments in developing appropriate policies for informal sector operators.

The thesis addresses these gaps by applying an eclectic theoretical approach to explore informal entrepreneurship within the behavioural, socio-economic, and institutional environment in which the participants operate. It is the methodology for effecting this that the following chapter next considers.

CHAPTER FOUR: RESEARCH METHODOLOGY

Introduction

The previous chapters have been devoted to establishing the contextual and theoretical frameworks within which the study is located. In this chapter the methodology, research design, and approach adopted to answer the research questions are presented, along with the rationale and justification for their adoption. It explains the philosophical assumptions underpinning the study, discusses the research design and approach, sampling, methods of data collection and analysis, and concludes with ethical issues.

4.1 Philosophical assumptions and research approach

A description of the philosophical orientation of the study is considered very important, especially considering the fact that a world view and knowledge claims are conceived differently from alternative philosophical approaches (ontology and epistemology). Again, each perspective advocates different methodological approaches for the understanding of world reality and justified knowledge claimed about it. This is as a result of the existence of a variety of beliefs and traditions pertaining to ontology, the theory of what exists and the nature of its reality (Saunders et al., 2012); epistemology, concerning how valid, reliable, and acceptable knowledge of the existing reality can be acquired (Bryman, 2008; Saunders et al., 2012) and methodology, relating to what techniques, procedures, and strategies are to be employed to acquire knowledge (Guba and Lincoln, 1998). Consequently, the philosophical underpinning of any social research is grounded in ontological, epistemological, and methodological considerations and commitments which shape and illuminate the researcher's world view and interpretation of the paradigm s/he adopts in carrying out an investigation. Research philosophy in this respect determines the instruments to be used to achieve given research objectives and the justification for using them.

Two main contrasting philosophical research paradigms have dominated social research, namely positivism (objectivism) and interpretivism (subjectivism/constructionism) (Bryman and Bell, 2011). The central argument in research philosophy in social science is whether it should adopt the same philosophical assumptions as the natural sciences (Bryman, 2008). The contention according to Bryman (2008, p. 18) is "whether social entities can and should be considered objective entities that have a reality external to social actors, or whether they can and should be considered social constructions built up from the perceptions and actions of social actors".

According to positivist ontology, social phenomena have an objective reality, external and independent of human thoughts and beliefs (Smith, 1983). It therefore suggests that reality is influenced by factors external to social actors. As such, the reality about the social world can be thought of as 'out there' (Bryman and Bell, 2011), existing independent of human influence. Relatedly, positivist epistemology assumes that phenomena can be observed and measured objectively

using scientific methods of investigation (Bryman and Bell, 2011). Knowledge, according to this perspective, is conceived as physical reality, observable and measurable by the researcher. The role of the researcher is therefore that of an independent observer without any influence in the process.

In contrast, interpretivist ontology considers reality as socially constructed and subjectively dependent on social circumstances (Golafshani, 2003). The philosophical assumption here is that reality is relative and depends on our understanding and the meanings given to our perceptual world. Accordingly, reality is constructed out of interaction between human beings and their environment. As such, it is not simply 'out there' to be discovered or observed (Baghrarian, 2012; Bryman and Bell, 2011); the social world is not external to human interaction but rather its product. Social reality could then be understood as the sum of the meaning of the occurrences in the social world. In connection with this, interpretivist epistemology presupposes that knowledge is a construction of human interaction in accordance with fundamental social reality, so that "knowledge does not exist "out there" but within the perceptions and interpretations of the individual" (Vanderstoep and Johnston, 2009, p. 166). According to this assertion, knowledge is a construct and creation of people as a result of their interpretations of experience. The social world thus cannot be fully comprehended in terms of causal relationships that are disconnected from human values, intentions, attitudes, and beliefs (Baghrarian, 2012). From the viewpoint of interpretivists, reality and knowledge are subjective and socially constructed (via meanings and interpretations of social environment)(Blaike, 2007).

As a result of differences in philosophical positions regarding the nature of world reality and what justifies knowledge claims, the two paradigms advocate the use of different methodological approaches in social research. Positivism advocates the adoption of scientific methods of enquiry of natural science for the study of socio-economic behaviour, such as informal entrepreneurship via a quantitative approach associated with numbers, facts, and figures, to verify or falsify knowledge claims (McEvoy and Richards, 2006). On the other hand, interpretivism promotes the use of a more qualitative approach to social research which uses text to describe and interpret meaning to understand a given social phenomenon.

The positivist paradigm considers both physical and social science research as the same and tries to substantiate the cause-and-effect relationship to explain phenomena in order to arrive at a sound conclusion which allows prediction, replication, and generalisation. This approach to social research largely adopts the use of the methods of the natural sciences to investigate social phenomena. In contrast, the interpretivist paradigm contends that people, organisations, and institutions are too complex to be investigated using such a law-like approach (Creswell, 2003; Robson, 2002).

Given the proponents of each of the two approaches differ in their ontological, epistemological, and methodological positions and prescriptions (Blaike, 2007; Morgan and Smircich, 1980), it is to be expected that each criticises the approach adopted by the other in conducting social and organisational

research. For example, positivism has been criticised for having the tendency to view the social world as a concrete or physical structure that reduces ‘the role of human beings to elements subject to the influence of a more or less deterministic set of forces’ (Morgan and Smircich, 1980, p. 498). Despite the usefulness of interpretivism in unveiling the root causes of social actions from the perspective of the actors, positivists regard it as being too impressionistic, owing to its qualitative methods and subjective procedures (Bryman and Bell, 2011), and lacking in generalisability due to (typically) small samples.

The choice of the research approach for this study is determined by the researcher’s philosophical assumptions and conceptions of the nature of the research problem investigated, as argued in the previous chapters. The research assumes social reality, e.g. informal entrepreneurship is a real and observable phenomenon that can be measured and interpreted against theoretical postulations, whether explicitly or implicitly expressed, and is influenced by certain external factors, such as formal and informal institutional environments and economic conditions. Based on the earlier arguments in preceding chapters, the main research problem of this study is the exploring the nature and character of, and motives for engaging in informal entrepreneurship. In terms of epistemology, knowledge is conceived as an observable, measurable, and quantifiable element of reality by the researcher. For this reason, a positivist philosophical research approach is used in investigating informal entrepreneurship in Nigeria. The adoption of this approach is also justified in view of the fact that positivism predominates in entrepreneurship research (Kirkwood and Campbell-Hunt, 2007; Kirkwood, 2009; Warren, 2004; Williams and Vorley, 2014). Williams and Vorley note that entrepreneurship research has mainly taken the form of a quantitative approach. Taking a positivist stance in this thesis will contribute to the body of knowledge in both theory and practice of informal entrepreneurship, particularly in developing countries’ contexts.

Consequently, the basic assumptions of positivism, the causality of certain actions and behaviour, empirical observation and measurement, and comparisons between different sets of variables (Creswell, 2007) form the crux of this research problem. In fact, the basic tenets of positivism as argued by Creswell (2007), such as empirical observation and measurement, and theory verification are involved in this research. The aim is to provide an accurate and reliable basis for comparison to establish relationships or associations between the examined variables of interest and allow the generalisation of the results to similar contexts. On theory verification, the study attempts to empirically evaluate the reasons for engaging in the activity and certain theoretical assumptions about the causes of participation in the sector are part of the problem to be investigated by this study. The principle of reductionism (i.e. reducing variables to smaller entities to provide explanations on groups’ basis) was employed in this study in order to have a justified and warranted knowledge about the variations in the characteristics and motives of the participants. This was used to test key variables in

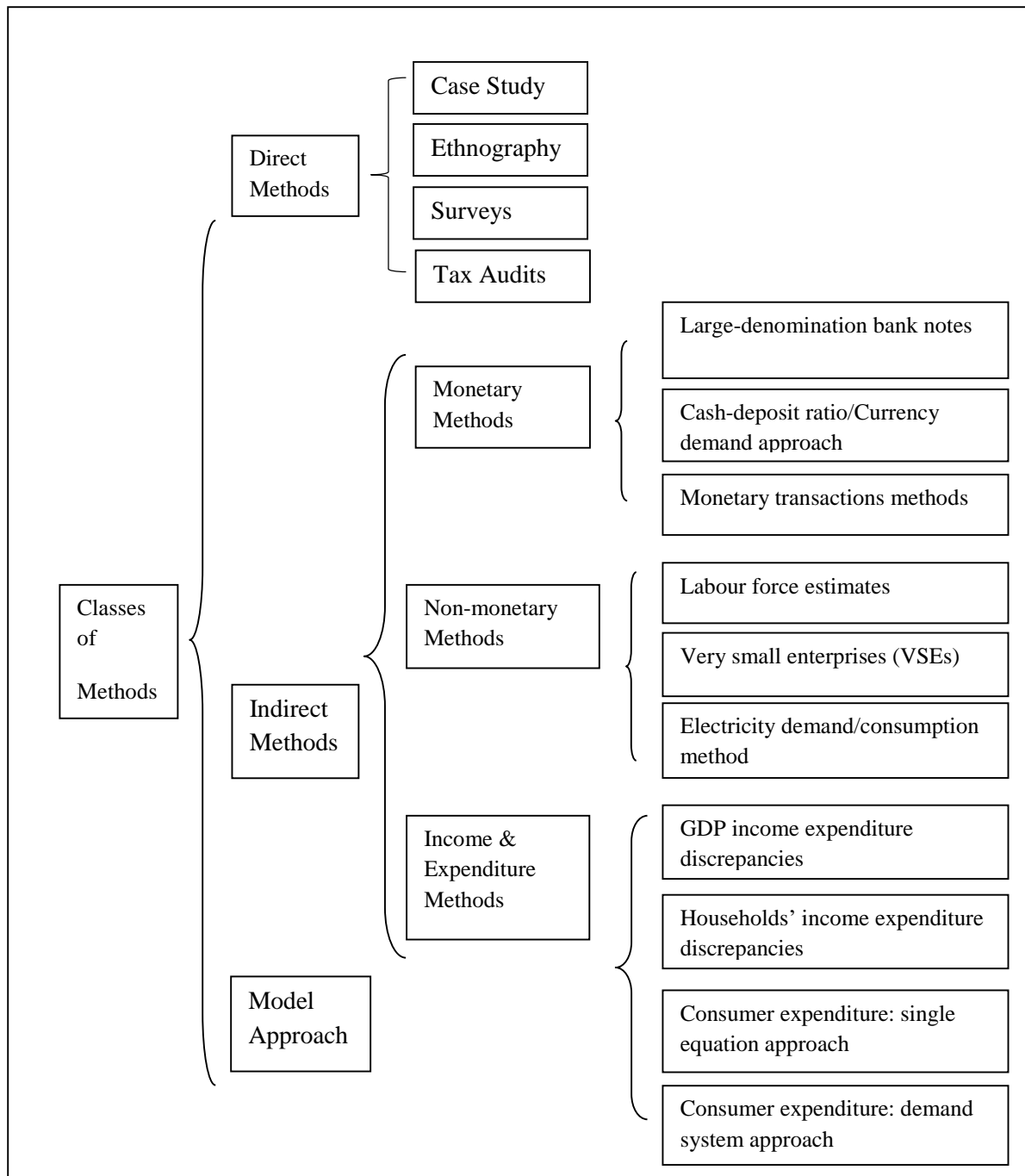
relation to the research question regarding to how characteristics and motives vary across different participant groups.

Lastly, the thesis rests on empirical measurements made through the use of statistical tools to quantify and objectively describe with facts and figures to support or contest ‘alternative knowledge claims’ (Creswell, 2007, p. 153). Through these empirical processes, the research is positioned in a positivist philosophical research paradigm. By and large, it measures concepts and variables and examines any relationships between them. The study collects and analyses largely quantifiable data obtained through a survey using statistical tools and analyses and draws causal inference which allows the generalisation of findings.

4.2 Methods for researching informal economy/entrepreneurship

Two main sets of methods, namely direct and indirect, have been identified in relation to researching informal entrepreneurship (see e.g. Alderslade et al., 2006; Frey and Schneider, 2000; García-Verdú, 2007; Schneider, 2007; Schneider and Enste, 2000; Williams, 2006a; Williams and Ram, 2009). Direct methods involve interaction with individuals, households, or enterprises through interviews or observation. The most common means of obtaining the required data in these methods is through survey, tax audits, ethnography, and case study. Indirect methods use a variety of indicators (mostly proxy) and official statistics. Figure 4.1 (see below) depicts the classification of methods for researching the informal economic activity:

Figure 4.1: Classification of methods for researching informal sector entrepreneurship



Source: Adapted and modified from García-Verdú, R. (2007) Measurement of the shadow economy or shadowy measurement? [Accessed 18th June 2014 www.webmeets.com/files/papers/LACEA.../2007/157/rgv-informality.pdf]

Direct measurement methods: The activity is examined through observation or contact with individuals, households, or enterprises. Surveys and tax audits are the main means of detecting/identifying participants, while ethnography and case studies are useful in obtaining information on the nature, character, and practices of the participants in the activity because they allow the collection of richer narratives than the survey. The survey can be based on households, enterprise,

or mixed households, and enterprise surveys. Becker (2004) argues that prior to 1993 most studies relied on indirect methods for measuring the prevalence of informal entrepreneurship. However, with the adoption of the ILO's 1993 definition of the informal economy, surveys have become regarded as the best means to capture data about the phenomenon because they tend to examine its nature and character rather than being limited to the measurement of its size.

Despite their popularity, direct survey methods are not without criticism. Firstly, it might be assumed that respondents will not cooperate with researchers to elicit information about their engagement in informal activities (Williams, 2006a). This argument is, however, rejected by a number of studies. For example, Leonard (1994), MacDonald (1994) and Williams (2004) provided evidence that suggests participants are willing to share information about their informal practices. Secondly, tax audits in particular may not reflect the activities of unregistered economic units which form the majority of the informal enterprises, especially in developing countries. Corrupt tax officials who conceal the activities of those that offer them bribes can also make the estimates inaccurate (Eilat and Zinnes, 2000). Finally, participants' lack of trust in the researcher may cause them to report incorrectly or hide valuable information due to fear of detection (Eilat and Zinnes, 2000, especially on sensitive issues such as income and compliance with labour regulations. Therefore, respondents' truthfulness cannot be assumed. These criticisms have been countered by the discussion of the rationale for adopting direct survey methods in the succeeding section.

Indirect methods: Indirect methods are based on macroeconomic indices and models. As such, the methods rely heavily on proxy indicators to estimate the size of the sector. Analysts who subscribe to the view that informal entrepreneurs would not divulge to the researchers honest and reliable information regarding their informal economic endeavours rely on the use of proxy macroeconomic indicators to estimate the incidence of the activity. As indicated in Figure 3.1, they include monetary and non-monetary indicators, income and expenditure discrepancies, and dynamic multiple indicators, and multiple causes (MIMIC). However, indirect methods are capable of measuring only the size of the informal sector and are not fit for examining other variables, such as motives for engagement in the activity and character of the participants. In addition, their reliance on proxy indicators as parameters for measuring the informal sector rather than actual indicators makes their estimates susceptible to criticisms such as relying on proxy indicators. Finally, with the exception of the MIMIC model, which uses multiple indicators and causes, the remaining methods rely on a single indicator, or at most compare two variables making them liable to produce fairly reliable estimates (Leonard, 1994; MacDonald, 1994).

The model approach, which uses causes and indicators of informal entrepreneurship such as tax burdens, burdens of regulation, tax morality, unemployment (causes) and monetary transactions, development of the labour, and production market (indicators) (Schneider and Enste, 2000) developed

to address certain limitations of using single indicators is difficult to deploy at local/state levels because the measurement parameters (causes and indicators) are not determined at state levels but rather at national level (Alderslade et al., 2006). Secondly, panel data on both macro- and micro-estimates are not regularly updated in Nigeria and hence not reliable. Thirdly, the little data that exists is not easily accessible in the researcher's experience of field work with population data.

4.3 Rationale for using direct survey methods

Direct survey method is used in this research. Research on informal entrepreneurship in developing countries in general and Nigeria in particular using direct survey methods may not be as problematic as assumed because African countries are characterised by a laissez-faire approach to informal economy regulation (Elkan, 1983; Meagher, 1995). Hence, a study on informal entrepreneurship is likely to be less difficult and more reliable than in regions characterised by a deterrent policy approach, since informal entrepreneurs in most quarters are not afraid of detection. Moreover, several studies (Leonard, 1994; MacDonald, 1994; Williams, 2004, 2006a) carried out in other countries revealed that irrespective of the nature of the sector, informal entrepreneurs are willing to provide information and cooperate with the academic researchers with interest and excitement.

Again, the recognition and endorsement of direct survey methods by many scholars and organisations (ADB, 2011; Becker, 2004; Gennari et al., 2009; Hussmanns, 2010; ILO, 1993, 2010; OECD, 2002, 2004; Williams, 2007a; Williams et al., 2009) as a more accurate and reliable approach for researching the informal sector influenced the researcher's decision to adopt direct survey methods for this thesis. For example, OECD (2004) observes that direct survey methods not only yield relatively better estimates of the magnitude of the informal sector but also provide extensive evidence on the nature of the activity. Similarly, Fadahunsi (2000) posits that the best method of exploring informal entrepreneurship is to interact with the participants. Direct survey methods offer this opportunity to the researcher. Besides, access to participants via direct survey methods offers the researcher the opportunity to explore the nature of informal entrepreneurship comprehensively by having direct access to the participants and their types of engagements.

Other rationales for the choice of survey research design include: first, it helped in providing information about the distribution, characteristics, and relationships between different demographic groups (Robson, 2002), and the way the phenomenon operates and under what conditions, rather than explaining it in terms of causation alone.

Secondly, survey has been described as an effective technique for the collection of data to permit a variety of analyses of results from the data collected on a large sample (Bryman and Bell, 2011; Rea and Parker, 2005; Robson, 2002; Saunders et al., 2012; Saunders and Lewis, 2012).

Thirdly, it was a useful and straightforward technique for studying characteristics of individuals and societies “in a relatively unbiased and scientifically rigorous manner” (Rea and Parker, 2005, p. 7) and allowed replication of the study for comparative purposes across different localities and social groups.

Finally, it allowed the researcher to examine relationships between variables of interest and to produce models of various types of associations (Saunders et al., 2012) in quantitative and numerical terms to describe trends, attitudes, behaviours, or opinions of a population by studying it as a representative sample (Creswell, 2007).

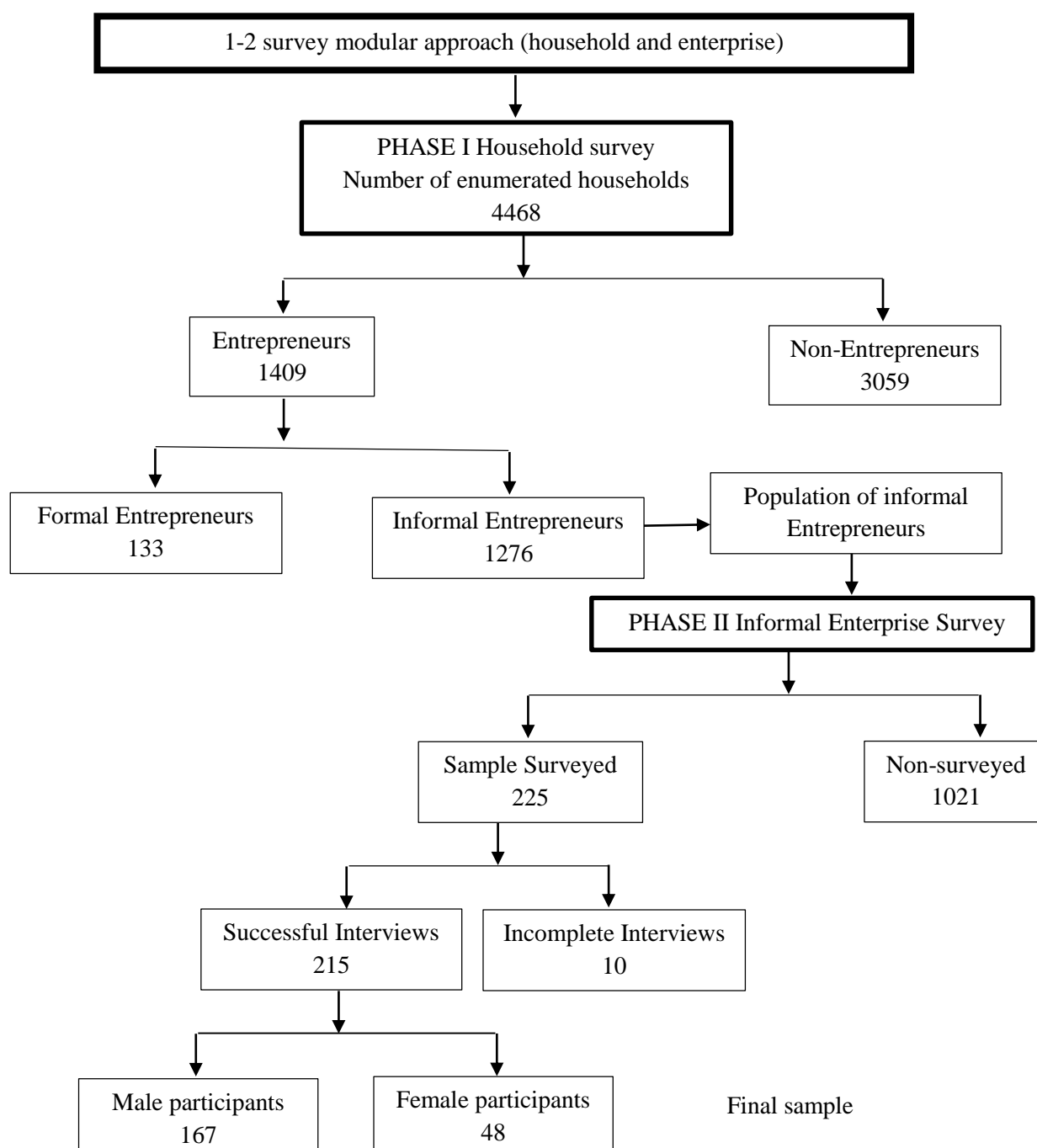
Therefore, the adoption of a survey research design was considered appropriate because it allowed the researcher to obtain data which enables a fuller description of the conditions of not only individual entrepreneurs but also the environment in which they operated. It also permitted an appraisal of the informal entrepreneurship in a way which illuminated the practices and structural relationship between different levels of operators and formal and informal institutions.

4.4 Research design

In the study of informal entrepreneurship in African countries, and Nigeria in particular, when data and a census on informal sector activities are limited, household or enterprise survey alone may not provide the information needed for intensive analysis of the phenomenon. In the absence of data bank for informal enterprises and their owners, the study began with an enumeration survey to get an idea of its extent; which was followed by the subsequent second stage informal enterprises survey (sub-sample) to allow the exploration of characteristics and motives of the participants. Therefore, the household survey was for enumeration survey of the participants, while the enterprise survey was meant for the survey of individuals informal entrepreneurs. The nested two-stage survey research design (1-2 survey approach) was adopted for this thesis in order to achieve the four measurement objectives of the study: to measure the nature and character of informal entrepreneurship, motives for participation, characteristics and motives relating to different groups of participants and potential policy measures to improve the conditions of participants. The 1-2 survey approach is a set of nested two-stage survey components of household and enterprise surveys, usually conducted in two phases: first, the household survey to identify the informal entrepreneurs, and then an enterprise survey (Gennari et al., 2009).

Figure 4.2 below illustrates the sampling procedures following 1-2 survey (household and enterprises survey) modular approach. From the 4,468 households enumerated, 1,409 entrepreneurs were identified, of whom only 133 were registered with either federal or state government. The 1,276 that had not registered form the population of the second phase survey (informal enterprise survey), and the list of these unregistered entrepreneurs form the sampling frame for this second wave (enterprise survey).

Figure 4.2: Overview of sample based on 1-2 survey modular approach



The use of a 1-2 modular approach in researching informal entrepreneurship has the advantage of generating rich data both in breadth and depth (ILO, 2010). Also, the method uses an initial phase (household/enumeration survey) to obtain a sample for the second phase (enterprise survey), popularly known as a 1-2 modular approach, which has been successfully adopted by ILO in more than 20 countries across the world; Africa (e.g. Benin, Mali, Niger), Asia (Bangladesh, China, Indonesia), Latin America (Colombia, Mexico, Peru) and Transition economies (Armenia) (ADB, 2011; ADB/BPS, 2010;; ILO, 2010; UNECA, 2008). The research approach seems to be robust, except that

sample errors are often inherent in surveys that rely on the willingness of respondents to participate (Bryman and Bell, 2011; Robson, 2002). This study is not an exception, because the targeted female participants' ratio could not be achieved, which led to their lower proportion when compared to their male counterparts, despite the use of quota sampling to control the sample composition. As such, with respect to sample representativeness, the study cannot be said to have addressed gender balance, mainly due to two factors: Firstly, the respondents' participation in a context where freedom of participation and withdrawal were given for ethical reasons; and secondly, the lower literacy and exposure of women entrepreneurs, who were reluctant to talk to a researcher who was unfamiliar to them. In certain instances, their husbands or sons had to encourage or lead them in answering some questions. This led to a refusal of some prospective interviewees to participate, which is one of the reasons for the over-representation of men in the sample. This study is not unique in this respect (see for example, Abumere et al., (1998) on six urban centres in Nigeria; Simon (1998) on Kaduna, as well as from other world regions: ADB/BPS (2010) on Indonesia; Frese et al., (2002) on Namibia; Parlevliet and Xenogiani (2008) on Romania; Klein and Tokman (1993) on Ecuador and Jamaica among others.

In the first stage, a household survey in the selected primary sampling units (PSUs) of the chosen localities (sample areas) was conducted in order to identify participants, due to the absence of an established register of the participants on which the sample could be chosen. This also enabled the identification of informal entrepreneurs who fell within the scope of this study, i.e. own-account holders, owners/employers, contributing family members and apprentices, and members of cooperative societies. In addition, it helped in establishing a relationship with the participants, which aided the successful conduct of the second wave of the survey, which involved a follow-up survey for the selected sample of informal entrepreneurs (enterprise survey). This was designed to obtain detailed information about their motives for participation, their characteristics, and those of their enterprises.

In order to ensure confidence in making inferences on the basis of a sample drawn from the larger population, a wider spread sample to represent three common types of localities (rural, semi-urban and urban) was used. The use of the three different types of localities in the survey was influenced by Barkley's assertion (2006, p. 1) that "insight into entrepreneurship and small business development are provided through an extensive research base consisting of the analysis of secondary data, surveys of samples of the population of interest ... selected individuals, *localities*, *neighbourhoods*, enterprises or programs" (italics original). Also, a scientific technique sampling (systematic sampling) was used in the household survey and a hybrid of probability and non-probability sampling (random location sampling) was used in enterprise survey (details discussion in section below). These mitigated the risk of non-representativeness.

To obtain rich and detailed information akin to inductive interviews to enable more nuanced explanation to emerge on key issues alongside the more closed data, four open-ended questions were embedded in the survey questionnaire in order to explore participants' motives for engaging in informal entrepreneurship, and in particular alteration of their initial motives for setting up their enterprises. Therefore, the use of open-ended questions was specifically intended to complement quantitative findings by providing richer information on certain issues. In this regard, inductive responses were used as a complement to quantitative data in order to make the arguments stronger, particularly on the motives for participation in the endeavour. Rich data were collected pertaining to the complexity of the decision-making process, particularly regarding change of motives. Also, different types of information had the potential to aid comprehensive and holistic understanding of the nature and character of informal entrepreneurship in Nigeria.

The unit of analysis for this study are informal enterprises at home, in shops, on the street, or in the market and business premises. Therefore, informal enterprises are the major entity that would be analysed in the study. As argued by Williams and Ram (2009), a survey on informal entrepreneurship can take either households or business enterprises as the unit of analysis. Due to the nature of this research, informal enterprises formed the unit of analysis of this study.

4.4.1 Samples and sampling techniques

Considering all the population in the study area is highly challenging. Particularly in a study that covered large area. This necessitates the use of a research technique in order to reduce the size by choosing a representative sample from the target population. In this study a three-stage sampling technique was used. The adoption of the multi-stage cluster sampling technique helped in arriving at a sample that is representative of the population. The use of the technique helped to arrive at a sample that cut across the three geographical regions in the state, three different types of localities and across different locations, and types of informal entrepreneurial activities. It was also adopted due to the absence of adequate population data, as opposed to developed Western nations, where comprehensive register of all participants in their various economic activities is maintained by the Ministry or Chamber of Commerce and Industry in the state.

First stage: purposeful sampling

For the selection of local governments and localities (rural, suburban and urban) to include in the survey, a purposeful sampling technique was employed. Three out of fourteen LGAs were selected to represent the three geopolitical zones in the state, one each from the central, northern, and western regions. Similarly, in the selection of localities within LGAs, all three local government headquarters were chosen as representative of urban areas. However, in the selection of suburban and rural areas, the number of EAs was used as a criterion for inclusion. Localities with 50 EAs for the suburban and

those with 10 EAs for the rural were selected from each of the 3 LGAs. The selection of rural, suburban, and urban localities was to achieve a wider spatial and territorial dispersion in order to find out the contemporary practices of informal entrepreneurs in the state. Secondly, it is to mitigate the potential risk of not presenting all the state, particularly some areas, e.g. rural and suburban areas, when concentrated in urban areas for which earlier studies has been criticised (Trager, 1987). Therefore, confining the sample to regional urban cities might have an implication for representativeness with the potential of not representing all the state.

Second stage: systematic random sampling

In the selection of EAs to be included for the enumeration of informal entrepreneurs at household level, a systematic random sampling was adopted using the list of EAs developed by the NPC for the 2006 national census as a sampling frame. A total of 75 PSUs were selected, constituting 75 EAs. The EAs selected were in a ratio of 32: 25:18 for Gusau, Kaura-Namoda, and Talata-Mafara respectively. In Gusau LGA, the 32 EAs selected were in the ratio of 25:5:2 for T/wada, Gusau (an urban area), Damba (suburban), and Chakwal (a rural locality). At Kaura-Namoda LGA, the 25 EAs included in the sample were in the ratio of 18:5:2 for Kaura-Namoda, Kurya-Madaro, and Maguru respectively. Similarly, at Talata-Mafara LGA, the 18 EAs chosen were in the ratio of 11:5:2 for Talata-Mafara, Jangebe, and Take-Tsaba.

In the selection of units to be included in the sample, an approach with the criterion of population proportional to size (PPS) was employed in the distribution and selection of the EAs between the three local governments' headquarters and in all the localities. Therefore, all the ratios were arrived at based on the criterion. In the urban areas, for example, a first case was selected randomly from 1–20 as a starting point in the list of EAs in the locality. Thereafter, a case was selected at an interval of 20 cases from the list of EAs in that locality. The same procedure was applied at suburban and rural localities, but at a ratio of 10:1 and 5:1 respectively. In the three urban centres (Gusau, Kaura-Namoda, and Talata-Mafara), the first EA was chosen in every twenty. In the suburban areas (Damba, Jangebe, and Kurya-Madaro), the first EA in every ten was selected, whereas, in the rural localities (Chakal, Maguru, and Take-Tsaba), the first EA in every five was included in the survey. The use of systematic sampling was made in order to avoid bias and enhance the representativeness and generalisability of the findings (Robson, 2002). This approach was used in a number of studies in Nigeria and Africa (Abumere et al., 1998; Mead, 1994; NBS, 2010) and was reliable in producing estimates of participation rates in informal entrepreneurship.

From the 75 EAs chosen, a total of 4,468 entrepreneurs were identified using 12 recruited and trained enumerators (4 for each LGA) under the guidance and supervision of the researcher, a research assistant, and staff of the NPC in each of the three LGAs. In Gusau LGA from the 32 EAs, 1,923 households were enumerated. At Kaura-Namoda LGA, a total of 1,476 households were enumerated

from the 25 EAs included in the household survey, and at Talata-Mafara a total of 1,069 households were enumerated from the 18 EAs included in the study.

Third stage: Random location sampling

For the enterprise survey, a random location sampling technique was employed using the list of the identified informal entrepreneurs from Phase I (household/enumeration survey) as a sampling frame. This approach to sampling is a crossbreed between random and quota sampling (Crouch and Housden, 1996), i.e. a mixture of probability and non-probability sampling techniques. The technique was adopted in order to avoid bias from creeping into the sampling process and to include different types of participants.

Being a blend of quota and random sampling techniques, at the first step, quota sampling was used by drawing three prospective participants (two males and a female) from each EA, making a total of 225 interviews (representing 18% of the population of informal entrepreneurs identified from the 75 enumeration areas surveyed). This technique was adopted because it ensures a proportionate distribution of the sample across different types of localities included in the study. The decision to use unequal numbers in the quota of male against female was because the researcher was warned by difficulties experienced in accessing female respondents during the pilot studies. Secondly, existing studies in Nigeria and similar countries being identical to achieve unequal number of males and females (e.g. Abumere et al., 1998, on Nigeria, ADB/BPS, 2010, on Indonesia). After setting a quota of male and female participants, a random sampling technique was applied in the selection of the three participants in each of the EAs by choosing an entrepreneur among those willing to grant the interview randomly from three different locations within an EA. In order to achieve representativeness of the sample, it was ensured that the three entrepreneurs interviewed were not from a single household or type of business and were from different locations within a given EA.

The decision to include different types of localities was informed by the fact that participants cut across all types of localities and hence the desire to cover a spread across the three types. The choice of localities is based on Williams and Ram's (2009) argument that most surveys on informal entrepreneurship are based on localities. The selection of multiple localities was made in order to enable the exploration of informal entrepreneurship activity across the different types of settlements. Biles (2008) argues that multiple locations have the advantage of providing more general trends of informal entrepreneurial activity throughout a given area or region. It also allows the capturing of variations in the characteristics of the participants and permits different types of analyses of the patterns of the activity.

Another reason for studying multiple locations is the fact that the majority of the informal sector research conducted in Nigeria has tended to be limited to a single city study, with the exceptions of

Abumere et al. (1998), Oduh et al. (2008), and Onyenechere (2011). To the best of this researcher's knowledge, no study has been carried out on multiple locations cutting across rural, suburban, and urban areas.

4.5 Data collection

The instruments for the household and enterprise surveys were adapted from the ILO (2010) manual on surveys of informal employment and the informal sector. However, two questions were adapted from Williams and Renooy, (2009). The questions were modified to suit the research problem, aims, and objectives. The ILO's (2010) instrument, in particular, had been tested with strong results for validity and reliability in more than 20 countries across Africa, Asia, and Latin America in addition to Armenia in Eastern Europe (ADB, 2011; ILO, 2010; UNECA, 2008).

For the smooth conduct of the field work and effective data collection, a reconnaissance survey to explore some areas selected for the study was conducted in order to trace and obtain preliminary information about informal entrepreneurs and their activities. In the process questionnaires were pre- and pilot tested with the assistance of gatekeepers and key informants. Details of the process followed are described in the subsequent sections.

4.5.1 Pre-and pilot testing of the questionnaires: The questionnaires were pre-tested by consulting an expert (statistician) and staff in Sheffield University Management School and fellow PhD students for comments on the suitability of the questions and the structure of the questionnaires. This was deemed necessary in order to assess the content validity of the questionnaire and its appropriateness in addressing the research problems. This measure was taken in order to enable the researcher to make necessary corrections and amendments before pilot testing.

The enterprise survey questionnaire was pilot tested to ascertain whether the questions set would obtain the required information and could be understood by all respondents, and whether there would be a need for additional questions or rewording of them. The primary objective of this process, therefore, was to determine the appropriateness of the questionnaire. The secondary objective, on the other hand, was to assess respondents' feelings and understanding of the content of the questionnaire and to find out whether the questions could generate the required answers from the respondents. In this regard, the questionnaire was administered to 10 informal entrepreneurs in the target areas after obtaining their consent for participation in the pilot study. These participants were not part of the main study sample. The outcome of the exercise was that some questions were amended, which improved the quality of the questions and the structure of the questionnaire.

4.5.2 Organisation of field work: Two basic steps were taken—negotiating access and selection of the EAs. The first stage involved negotiating access by paying courtesy calls to the Emirs and Chiefs (traditional rulers) of the respective areas, and, with their consent and permission, meetings with the

key informants, research assistants, enumerators, and respondents' delegates drawn from their domain were held. During the meetings, the aims and objectives of the research were explained and consent for participation sought. In addition, ethical issues regarding the conduct of the research were also discussed. The second stage involved the selection of EAs as Primary Sampling Units (PSUs). This was done with the aid of staff at the NPC because the PSUs were EAs used during the 2006 national population census.

4.5.3 Survey and administration of the questionnaires

As indicated earlier, the survey was administered in two phases. The first phase involved a household survey and the second an informal enterprise survey. The surveys both at household and informal-enterprise levels were administered face-to-face instead of self-administered, because a considerable majority of the participants could not read or write in English. Therefore, using a self-administered survey instrument may not have yielded the required number of respondents as well as the quality of the responses to meet the standard. Given that a 1-2 survey method was adopted, two different sets of questionnaires were administered in two phases at household and enterprise levels. The two surveys (household/enumeration and enterprise) were carried out in a period of five months (between September 2012 and January 2013).

The enumeration survey meant to identify informal entrepreneurs helped to develop a sampling frame for the second phase of the survey and facilitates the second study by helping to secure participants in the second stage. In addition, it helped the researcher to acquaint himself with the general outlook and patterns of informal entrepreneurial activities taking place in the localities selected for the study. It also enabled the researcher (being involved in a supervisory capacity) to observe some of the activities of the participants.

In the first phase, a structured questionnaire was administered face-to-face to households in the 75 chosen EAs from the three LGAs. Overall, a total of 75 EAs and 4,468 households were enumerated from the nine localities in the three LGAs. All questionnaires were filled in by the enumerators during the enumeration sessions. In the selected EAs, each house or business establishment on the road was visited for the enumeration of the members of the household engaged in entrepreneurship in order to identify informal entrepreneurs. The interviews were conducted with the heads of the household or, with their absence, the most senior member of the household.

As mentioned earlier, the enumeration survey involved the use of 12 enumerators guided by 3 staff of NPC under the supervision of 3 research assistants and the researcher. In each LGA, an NPC staff member, a research assistant, and 4 enumerators were used. The enumerators were recruited from the urban headquarters of the 3 LGAs and were given a day of training on how to approach the respondents and fill the enumeration questionnaires (see Format in Appendix A). The rationale for

recruiting the enumerators from the respective LGAs' headquarters was to facilitate the smooth conduct of the enumeration survey owing to their familiarity with the localities.

As in the first phase of the survey, face-to-face interview questionnaires were administered for the second wave (enterprise surveys). Owners of the enterprise were interviewed by the researcher, using a survey questionnaire containing mostly closed-ended questions. However, four open-ended questions were included to generate inductive responses. These types of questions were meant to obtain information regarding their perception about the endeavour and motives behind their engagement in the sphere. Most importantly, open-ended questions provided the most sensitive and interesting information without making the respondent feel uncomfortable (Zuin, 2004, p. 2). Most of the closed-ended questions were a dichotomous pattern with some multiple choices (see Format in Appendix B). The use of the multiple-choice questions was intended to allow respondents to have a variety of options from which to select, and the open-ended questions were meant to provide respondents with ample opportunity to express their views, perceptions, and experiences without being restricted to the options provided by the researcher.

An hour was scheduled for each interview but in some cases they extended to 75–80 minutes. Two versions (Hausa and English) were administered because the majority of the participants could only understand their native language (Hausa). The researcher, being a native speaker of the Hausa language, did not experience any problems in administering the Hausa version. The English version, on the other hand, was administered to non-native respondents. Additional notes were also jotted down where necessary.

After setting a quota of males and females at 2:1, a random sampling was adopted in the conducting of the interview by calling at any address within the PSUs, i.e. EAs surveyed to interview any entrepreneur who had willingly accepted to grant the interview to achieve the three number of interviews earmarked for each EA from different locations. Subsequently, a face-to-face interview using a survey questionnaire was administered to 225 informal entrepreneurs. The list of the identified informal entrepreneurs developed from Phase I (household/enumeration survey) was used as a sampling frame. Out of the 225 interviews 215 were successful. Having attained some level of familiarity with the EAs and the locations of some entrepreneurs (their houses and business premises) during the first-phase survey, and aided by informants identifying the entrepreneurs that were willing to grant the interview, did not constitute a problem.

4.6 Data analysis

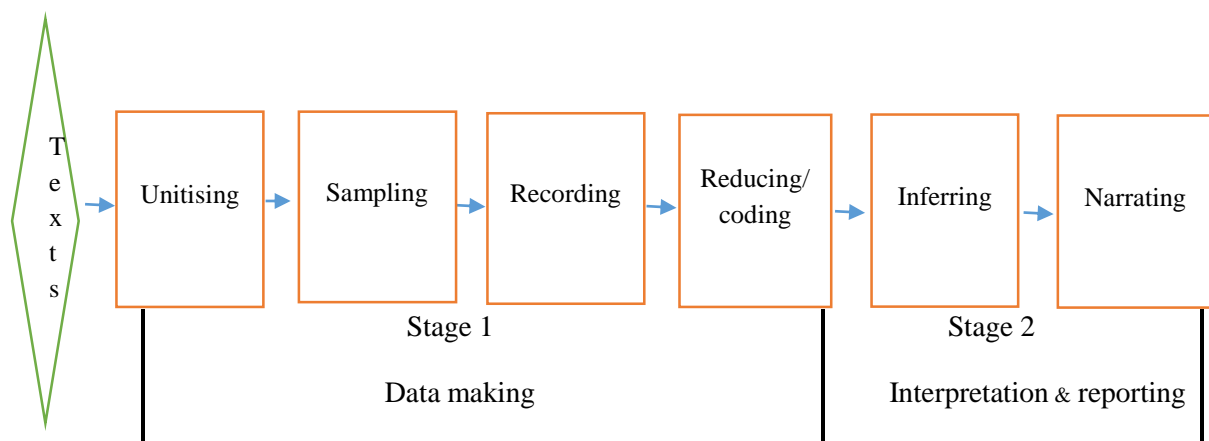
As a result of the inclusion of four open questions, both quantitative and inductive data analyses were undertaken. In the quantitative data analysis, descriptive statistics and logit analysis were used. The statistical package for the social sciences (SPSS) and STATA were utilised in the analyses. As for the inductive responses, both quantitative content analysis (Krippendorff, 2004) and qualitative content

analysis (Mayring, 2014) were used. In the quantitative content analysis at the first step all the inductive responses were quantified and converted into numerical form to suit descriptive statistical analysis. However, in the interpretation of verbatim quotes used in supporting some arguments, qualitative content analysis of text analysis was employed.

The use of the Ordinary Least Squares (OLS) estimator in the analysis of discrete choice models such as those considered here, with dependent variables that are dichotomous, ordered or categorical, can be problematic (Kennedy, 2008), including the potential for predictions outside the unit interval, heteroscedasticity and biased and inconsistent estimates (Greene, 1997). For these reasons, appropriately structured logit estimators were adopted (binomial, ordered and multinomial respectively).

As previously stated, both approaches to content analysis were used (qualitative and quantitative). In all cases the manifest content of the inductive text was analysed. In the quantitative content analysis numbers were used instead of written texts of respondents' responses. Quantitative content analysis as defined by Berelson (1952, p. 18) is "a research technique for objective, systematic and quantitative description of the manifest content of communication". The technique, as its meaning suggests, was used to identify repetitive useful statements from the data that helps to develop valid inferences from the text (Krippendorff, 2004). To achieve this, the six-stage procedure developed by Krippendorff (2004) was used, which is shown below.

Figure 4.5: Components of quantitative content analysis



Source: Adapted and modified from Krippendorff, K. (2004) Content analysis: An introduction to its methodology, p. 86.

Following Krippendorff (2004), the text was first read for understanding and familiarisation with its contents, a stage called "unitising". The main purpose is to distinguish words, propositions, and phrases of interest to the research questions. The second stage is "sampling". In this stage, the

researcher tries to identify consistencies of words, propositions, and phrases. Here, text was reduced to a “subset of units that are statistically representative” (Krippendorff, 2004, p. 84) of the original set of the data. Having identified the consistencies in the data, the information was categorised and themes were identified. This formed the third stage of “recording” and “coding” of the data. In the fourth stage, which is “data reduction”, a statistical list of types and frequencies of the themes was developed. These four stages constitute the ‘data making’ elements of the process (Krippendorff, 2004). The last two stages form the analytical and reporting processes. In the analytical or “inferential” stage, the frequencies of themes developed were interpreted, which led to descriptive accounts of the themes and meanings they entailed, while in the last stage the results were reported. At this stage the researcher explains the practical implications and significance of the findings in relation to the research problem.

On the other hand, in the qualitative content analysis, textual analysis of the manifest content of the data, i.e. surface meaning and the meaning that could easily be deduced from it, were analysed. In some cases, quotes were used to support an argument or provide evidence for a claim of statement instead of frequencies. As Stake (1995, p. 71) argued, ‘Analysis is a matter of giving meaning of the text that are important to us (*the researchers*)’ (italics original). Therefore, in the text analysis of the inductive responses, two techniques were used to extract meaning from the participants’ responses. First, direct interpretation of interviewees’ responses was used in interpreting individual interviewees’ responses. Secondly, aggregation of instances from many responses of the interviewees was carried out, in order to arrive at a pattern that made sense or gave direction to participants’ opinions, behaviours, beliefs, or attitudes (Stake, 1995). While the first technique looks for the emergence of meaning from direct interpretation of a single instance, the second looks for same from the repetitive instances from multiple respondents (categorical aggregation) (Stake, 1995). In some cases, a significant meaning was found in a single instance, while in others meanings emerged through iteration. Thus important meanings emerged across cases (Stake, 1995).

4.7 Research ethics

In the process of conducting this study, the University of Sheffield research ethics policy was adhered to strictly, from research design to field work and analysis, through to reporting and communication. In addition, certain research ethical issues outlined by numerous scholars and institutions (Bell and Bryman, 2007; Connelly and Raid, 2007; Saunders et al., 2012; Trochem, 2006; Venderstoep and Johnston, 2009) were considered when conducting this research. These included institutional approval, informed consent, dignity and privacy (respect for person), confidentiality and anonymity, integrity, honesty and transparency, and fidelity and responsibility. Given these, the following measures were taken to ensure that the conduct of this research was guided by the above code of ethics in an attempt to meet maximum ethical standards.

With regards to institutional approval, ethical approval from the University to conduct the empirical investigation was sought and granted. Similarly, all participants were fully informed and their consent and willingness to participate voluntarily in the research was secured; no participant was compelled to grant an interview or supply any information unwillingly. The freedom of participants to respond to interview questions as they wished was guaranteed. In addition, the researcher explained the right to decline or withdraw from the exercise at any given time and stage of the research process to the research participants. Also, written consent was secured from all participants interviewed. For those who could not read or write in the English language, the form was interpreted to them in the local language (Hausa). Some appended their signature in Arabic, while others thumb-printed.

In relation to the principle of justice and well-being, the researcher ensured that the research was conducted in such a way that all parties (participants, researcher, research guides and assistants, and enumerators) were protected from any harm by adhering to security advice given by the researcher, such as being security conscious by obtaining reports on the local security situation before setting out to an area for the survey. Notwithstanding the security situation in Nigeria, particularly in the northern part of the country where the study was conducted, the study was hitch-free. Again, the researcher's familiarity with the LGAs and his networks of relatives, friends, and acquaintances in the three LGAs helped towards peaceful conducting of the study.

With respect to research ethics and integrity, the research abided by usual conventions. All work referred to was duly acknowledged and data obtained from the field were reported objectively. Participants were reassured that all information supplied would be kept strictly confidential and would be used for academic purposes only, and their anonymity would be maintained during and after the research exercise. Hence, participants' names are not reported in the thesis.

Finally, a good rapport and excellent relationships were maintained with all participants. The measures taken in building trust and confidence between the researcher and the participants were fruitful, as they helped to reveal honest and in-depth information from the respondents.

4.8 Chapter summary

This chapter has discussed the philosophical foundation of social and management research and the position of this study in such discourse. To recap, a positivist approach was adopted for this thesis. The rationale behind the adoption of this approach relates to the nature of the research problems investigated. The main objectives of the research were investigated using a mostly quantitative approach. This was considered appropriate for the exploration of the nature and character of informal entrepreneurship; although the motives for participation lent themselves to a small amount of inductive work, with open-ended questions incorporated into the survey questionnaire intended to facilitate a deeper and more nuanced understanding of and insights into the causal motives for participation in informal entrepreneurship.

RESULTS CHAPTERS

The results and analysis of the findings comprise five chapters. They explain relevant issues related to the objectives of the study. The findings of this study are compared with the findings of other previous studies simultaneously in an attempt to substantiate the findings and present a holistic and general picture of the phenomenon, its character and nature, motives for participation and characteristics that relate to different groups of the participants. This is in addition to policy measures that could improve conditions, and encourage the voluntary and gradual formalisation of the entrepreneurs in the sector. Therefore, the chapters are meant to present findings that relate to the following research questions as outlined in the background chapter of the thesis: What is the nature and character of informal entrepreneurship in Zamfara state? What are the motives for engaging in informal entrepreneurship? What characteristics and motives relate to different groups of the participants? What policy measures could improve the conditions and encourage the voluntary and gradual formalisation of the entrepreneurs in the sector?

To provide answers to the above research questions, Chapters Five and Six present findings intended to address the character and nature of informal entrepreneurship and characteristics relating to different groups of participants. Chapters Seven and Eight are each intended to address a particular research question. Chapter Seven evaluates the motives for engaging in the activity and analyses the motives of different groups of participants in the sector, while Chapter Eight reports the findings related to business environment, relationship with state, constraints and challenges faced by entrepreneurs. Chapter Nine presents insights brought by theories of informal economy and institutional theory in the conduct and practice of informal entrepreneurship.

CHAPTER FIVE: CHARACTER AND NATURE OF INFORMAL ENTREPRENEURSHIP

Introduction

This chapter is organised in four parts: the first explores the nature of informal entrepreneurship (using the results obtained from the first phase of the survey); the second based on the results obtained from the second phase of the survey examines the characteristics of the surveyed informal entrepreneurs (i.e. socio-demographic characteristics, employment history and profile of informal entrepreneurs and their income); the third describes the characteristics of the informal enterprises, and the final part summarises the chapter.

5.1 Nature and rate of participation in informal entrepreneurship

As shown in Table 5.1 below, the results obtained from the stage survey indicate that the proportion of informal enterprises in the state is very large. Confirming previous studies both for Nigeria (e.g. Mabogunje and Filani, 1981; Simon, 1998), and other African countries and developing economies (e.g. Adom, 2010; Unni and Reni, 2003), informal enterprises accounted for the substantial majority (91%) of all the enterprises in the region under review. Of the 9% of total enterprises formally registered with the government, most were registered with the Ministry of Commerce and Industry, very few with the state tax board, and an insignificant proportion with the Federal Inland Revenue Service (FIRS). The ILO Kano study conducted by Mabogunje and Filani (1981) discovered that 20% of the sample enterprises were registered or licensed. A majority of the survey participants felt that they did not require a licence to operate. Similarly, Simon (1998) found that in Kaduna 85% of the sampled informal retailers were officially unregistered and were not licensed by any of the government regulatory authorities. Studies in other African countries and developing economies reported similar figures. In Ghana for example, Adom (2010) reported 96% were unregistered, and in India, Unni and Reni (2003) found that the proportion of the sector had reached 93% by 2000.

Table 5.1: Distribution of enterprises and characteristics of participants in the surveyed area

General characteristics	Frequency	Percentage
Proportion of informal to formal enterprises		
Formal enterprises	133	9
Informal enterprises	1276	91
Total enterprises surveyed	1409	100
Gender distribution of the informal entrepreneurs (n=1276)		
Male	687	54
Female	589	46
Modes of operation (single & multiple means of income) (n=1276)		
Straddling informal entrepreneurs (salaried job holders)	279	22
Solely informal entrepreneurs (non-salaried job holders)	997	78
Modes of operation (single & multiple enterprise/business ownership) (n=1276)		
Entrepreneurs with more than one entrepreneurial activities	270	21
Entrepreneurs engaged in a single entrepreneurial activity	1006	79
Sectoral distribution of informal entrepreneurs' activity (n=1276)		
Manufacturing & construction	201	16
Wholesale & retail trade	728	57
Transport & communication	315	25
Financial intermediation	32	2
Ownership status & structure (n=1276)		
Owners/employers	234	18
Own-account holders	762	60
Contributing family members (dependent partners)	167	13
Apprentices (associate entrepreneurs)	92	7
Members of cooperatives (collective & solidarity enterprises)	21	2

Source: Fieldwork, 2012. Number of observations 1276

Essentially therefore, Nigeria's entrepreneurial environment is dominated by small firms and the majority operate informally (Mordi et al., 2010). As observed by Adenuga et al. (2010), both the industrial and commercial sectors of the economy are characterised by a large proportion of informal enterprises and few formal ones. As noted by Sleuwaegen and Goedhuys (2002, p. 117), African countries' economic structures are generally characterised by 'a small number of large firms producing the largest share of output and a very large number of small firms operating on the fringes of the economy'. This is not peculiar to Africa; similar studies in developing countries elsewhere also suggest low rates of registration of small firms. For example, in Sri-Lanka, as reported by de Mel et al (2013), only one-fifth of firms are registered. Sasidharan and Rajesh (2013) suggested that in India registered firms constitute less than 1% of total manufacturing sector.

With regard to gender distribution, the proportion of males in the survey was 8 percentage points greater than of females, suggesting roughly equal proportions by gender, and thus a relatively high rate of female's participation in such activity. This contradicts findings of earlier studies. The reason for the low rate of females' participation in previous surveys was that the studies were based on establishment rather than household survey methods (e. g. Fapohunda, 1981; Mabogunji and Filani, 1981; Simon, 1998). For example, Mabogunje and Filani (1981) in their study of Kano found that 98% of the participants in their sample were male, and attributed the low rate of women's participation in the activity to the dominance of Muslims in the northern part of Nigeria. Similarly, in Kaduna, Simon's (1998, p. 550) study on small scale informal retailing revealed a high incidence (72%) of male participants, also ascribed to the significant role of 'socio-cultural forces such as the practice of purdah amongst the Muslim population' who constitute the majority of the population in the area. Establishment studies of informal entrepreneurship, especially in the Hausa region of Northern Nigeria, do not fully capture the true picture of female participation in the endeavour because most of their entrepreneurial activities are concealed, being mostly conducted at home.

Trager (1987, p.240) argues that 'even in northern Nigeria, there is considerable evidence of high participation of women in such activities (*informal entrepreneurship*), although they are less visible' (italic original). Trager argues further that the sampling frame used by the ILO's West African cities study and the type of enterprises it focused on seem to eliminate informal entrepreneurial activities carried out by women, leading to the conclusion that female participation is very low. Conversely, other studies (e.g. Coles, 1991; Frishman, 1991; Meagher and Yunusa, 1996; Zakaria 2001) corroborate the finding of this research. For instance, Coles (1991) discovered that 80% of Hausa women in Kaduna had an occupation ('sana'a') and that about half of the women interviewed had multiple income generating activities.

Therefore, contrary to the conventional belief, there was a high incidence of participation by women in informal entrepreneurship in Zamfara state, as suggested by this research. This is the general pattern in other parts of northern Nigeria, as found by a number of previous empirical studies (e.g. Coles, 1991 on Kaduna; Frishman, 1991 and Zakaria, 2001 on Kano; Meagher and Yunusa, 1996 on Zaria). In fact, Williams and Windebank's (1998) argument that informal economic activity seems to be more balanced than its formal counterpart reflects the situation in Zamfara state. Despite their high proportion in the activity, generally in West Africa, women are more heavily represented at the lower end of entrepreneurial activities due to their limited resources (see Lyon and Porter, 2009; MacEwen, 1991; Meagher and Yunusa, 1996; Chapter Six section 6.2 of this thesis).

Turning to modes of operation, the study found that 22% of the participants who combined multiple jobs (informal entrepreneurship in addition to their formal job) were formally employed, engaging

mostly on a part-time basis, while the majority (78%) were full-time self-employed informal entrepreneurs. A similar result was reported by Fapohunda (1981) in the ILO Lagos study, where over 70% of entrepreneurs were not multiple job holders. Among the informal retailers in Kaduna, Simon (1998) discovered that 15% combined their informal retailing activity with formal wage work, a practice which became very common in Nigeria, especially after the introduction of SAP in the mid-80s. Mustapha (1991) argues that many households in Nigeria augment formal sector income through what he coined as ‘the economics of multiple modes’ (Mustapha 1991, p.18). Meagher and Yunusa (1996) attributed the participation of formally employed persons in informal entrepreneurship to falling real incomes value, the rising costs of living and inadequate wages, particularly amongst low income wage earners. These factors, according to the authors, have resulted in the entry of large numbers of formally employed workers into informal sector entrepreneurship for additional income as a result of the serious erosion of real incomes value in the formal sector.

In terms of combining more than one entrepreneurial activity, the study reveals that a majority (79%) were involved in a single entrepreneurial activity, while the remainder were engaged in multiple sources of income and multiple enterprise/business ownership. The above findings are consistent with many research studies for Nigeria (e.g. Adedokum and Akande, 1998; Meagher and Yunusa, 1996; Olarenwanju and Yusuff, 2012). According to Olarenwanju and Yusuff (2012), this type of practice is very common amongst female informal entrepreneurs in textile trading in Balogun market, Lagos. Olarenwanju and Yusuff (2012) found female informal entrepreneurs in Balogun market buying and selling gold and diamonds, and engaged in real estate and renting services and speculation on landed properties in addition to selling textile materials (see also Adedokum and Akande, 1998).

Table 5.1 above also shows the distribution across four broad sectors. The sectors with high rates of participation are the wholesale and retail trade (57%), distantly followed by transport and communication (25%), while financial intermediation account for least (2%). Again this pattern is consistent with the findings of many city studies and national surveys in Nigeria (e.g. Abumere et al., 1998; CBN/FOS/NISER 2001; Mabogunje and Filani, 1981; NBS 2010; Oduh et al., 2008). The ILO Kano city study by Mabogunje and Filani (1981), for example, revealed that trade accounted for 60% of all informal sector enterprises in the city, followed by services (tailoring) 17%. A collaborative study of the activity by CBN/FOS/NISER (2001) likewise reported that informal entrepreneurs in Nigeria were mostly concentrated in the wholesale and retail trade (49%) and manufacturing (30%).

Regarding the ownership structure and status of the entrepreneurs, as shown in Table 5.1, a majority were own-account holders. This finding is also consistent with results of several city studies and national surveys in Nigeria (see Abegunde, 2011; Fapohunda, 1981; Mabogunje and Filani, 1981). Fapohunda’s (1981) ILO study of Lagos discovered that half of the sampled entrepreneurs were own-

account. For the remaining half, 26% employed two workers and the remainder had three or more workers. In the same ILO study, Kano, Mabogunje and Filani (1981) reported that over two-thirds of responding entrepreneurs were own-account but that they made widespread use of apprentices for training and supplementary labour. The use of apprentices has been well documented by a number of studies on informal sector enterprise in Nigeria (see Abegunde, 2011; Callaway, 1973; Seibel, 1996b; Trager, 1987; Uzo and Mair, 2014).

With reference to this, Mabogunje and Filani (1981) revealed that 16% of workers attached to entrepreneurs in Kano were apprentices. In Lagos, Fapohunda (1981) discovered that some 60% of the enterprises had apprentices, few of which were on the payroll. In Zaria, Meagher and Yunusa (1996) found that apprentices and contributing family members accounted respectively for 20% and 21% of the informal labour force. Thus, most of the studies on informal enterprises in Nigeria have discovered the extensive use of apprentices and family members for training, and as cheap and supplementary sources of labour.

The enumeration survey at household level is a representative sample study aimed at providing some confidence for the second stage survey at enterprise level and to aid the identification of informal entrepreneurs in the areas included in the study. The list of the identified informal entrepreneurs generated from the survey formed the basis from which sampling frame for second stage survey was developed.

5.2 Characteristics of the sample of informal entrepreneurs

To achieve the objectives of this study, the socio-demographic characteristics, employment history and income of the participants were investigated. This is imperative for a study of this nature in order to profile and fully appreciate the characteristics of the participants. Parlevliet and Xenogiani (2008) explain that this part of the process in informal entrepreneurship research is very important in order to comprehend the rationales and motives behind engagement in the activity. It should be noted that in this and all the subsequent parts of this thesis the results of the second stage survey of 215 participants drawn from the first phase survey (i.e. household/enumeration survey) are reported.

5.2.1 Socio-demographic characteristics

To generate this information, responding entrepreneurs were asked about their type of neighbourhood (rural deprived, sub-urban or urban, affluent or deprived), sex, ethnicity/tribe, age, level of educational attainment and marital status. Table 5.2 presents the percentage distribution of entrepreneurs by their socio-demographic characteristics.

The distribution of responding informal entrepreneurs by type of neighbourhood reveals that one in every thirteen belonged to a deprived rural community, three in every ten were affluent urbanites and

the majority (58%) were from deprived urban districts. Thus, about two thirds were deprived individuals, but, as the data reveal, informal entrepreneurship was widely dispersed, cutting across social strata.

In terms of gender, males were highly represented, at 78% of the total. The lower proportion of females in the second wave than in the enumeration survey was due to reasons earlier stated in the methodology chapter. This finding replicates the result of many establishment surveys reported in the literature of informal sector entrepreneurship in Nigeria (e.g. Abegunde, 2011; Abumere et al., 1998; Fapohunda, 1981; Mabogunje and Filani, 1981; Simon, 1998). For instance, based on national surveys, Abumere et al. (1998) found a male proportion of 79%. Many previous studies have adduced this imbalance to cultural barriers and the predominance of Islamic culture of seclusion (purdah) of women from visible market business activity (see Cling et al., 2010; Fapohunda 1981; Mabogunje and Filani, 1981; Pittin, 1984; Simon, 1998). Cling et al. (2010) assert that the proportion of women in informal entrepreneurship in market-like activities is much lower in some Muslim countries and cultures that emphasise adult female seclusion. The authors conclude that, in this type of environment, there are more likely to be lower rates of visible female (open-market like) entrepreneurial activities, which is confirmed amongst Hausas by Pittin (1984, p. 477) in her analysis of the invisible work of invisible women in Nigeria. She argues that “Hausa women’s entrepreneurial activities... are often as invisible in censuses and surveys as the secluded women themselves... their income-earnings occupations, carried out in the home, are unseen and... often unrecorded”.

Table 5.2: Percentage distribution of entrepreneurs by socio-demographic characteristics

Socio-demographic characteristics & profile	Freq.	%
<i>Neighbourhood(place of residence)</i>		
Rural deprived	18	8
Urban deprived	130	58
Urban affluent	73	34
<i>Gender</i>		
Male	167	78
Female	48	22
<i>Ethnicity/tribe</i>		
Hausa	199	93
Igbo	3	1
Yoruba	8	4
Others	5	2
<i>Age groups</i>		
< 20 years	1	.5
20-29 years	45	21
30-39 years	58	27
40-49 years	64	30
50-59 years	34	16
>59 years	13	6
<i>Marital status</i>		
Single	26	12
Married	184	86
Divorced/Separated	3	1
Widowed	2	1
<i>Educational attainment</i>		
Never	76	35
Primary	20	9
Secondary	61	28
Tertiary	34	16
University	24	11

Source: Field Survey, 2012. Number of observations=215

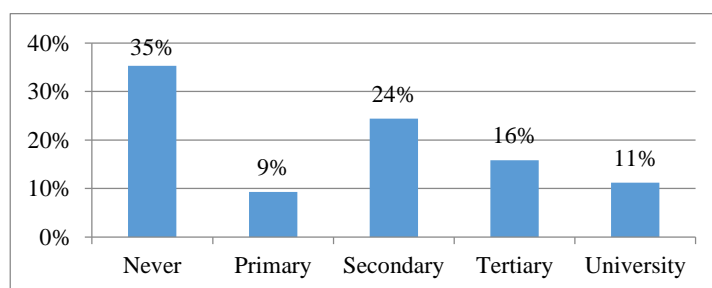
Pertaining to ethnicity, Hausa people constitute the majority (93%). This is not surprising, since the area of the study is predominantly Hausa-Fulani. Also, earlier studies carried out in other regions of the country have provided similar empirical evidence of this pattern of ethnic group dominance in informal entrepreneurship in areas where such groups are concentrated (e.g. Onyebueke, 2013 on Enugu south-eastern Nigeria; Oluranti, 2011 on south-western Nigeria). Therefore, in most studies, indigenous ethnic groups tend to dominate participation in informal entrepreneurial activities in a given area in Nigeria.

Findings relating to the age of the participants reveal that the surveyed informal entrepreneurs were mostly middle-aged individuals. More than half were between the ages of 30-49 years, the least represented age bands being 59 years (6%) and below 20 years (0.5%). The findings of this study corroborate the findings from a number of national surveys on informal entrepreneurs in Nigeria (e.g. Abegunde, 2011; Abumere et al., 1998; Oduh et al., 2008; SMEDAN/NBS 2012). For instance, Abumere et al.'s (1998) study found that most informal entrepreneurs were in the age band of 21-40 years. Therefore, substantial empirical evidence exists indicating that the majority of informal entrepreneurs in Nigeria are middle-aged.

With regard to marital status, Table 5.2 shows that married informal entrepreneurs constitute a strikingly high percentage of the sample (86%). Only 12% were single, while 1% each were divorced/separated and widowed. This is similar to Oluranti (2011), who reports that among informal self-employed motorcycle taxi riders in Lagos and Ogun states, nearly two-thirds were married. The high percentage of married individuals among informal entrepreneurs in Zamfara state is not surprising, since marriage is considered a very important religious institution among the Muslim community. Marriage in Hausaland in general is accorded high regard and adds to one's socio-cultural status.

Educational attainment of the participants is amongst the socio-demographic factors explored by this study. It was found that nearly two-thirds of respondents had attended formal school at varying levels. The remaining one-third had never been enrolled in formal schooling, as shown in Figure 5.1 below.

Figure 5.1: Percentage distribution of entrepreneurs by educational attainment



Source: Field survey, 2012. Number of observations 215

This pattern is consistent with many research findings on informal sector entrepreneurship, especially in the northern part of the country. At the national level the result confirms patterns observed in SMEDAN/NBS (2012) in which 'no schooling' represented nearly one-third of the sample surveyed and those who attained secondary and primary accounted for one-quarter each. Tertiary level and university graduates constituted the remainder. Conversely, most of the studies carried out in the

southern part of the country revealed dissimilar findings (see Oduh et al., 2008; Oluranti, 2011; Onyebueke, 2013).

The high proportion of educated individuals in the activity in Zamfara state is not surprising, due to the increasing rate of unemployment in Nigeria. For the past three decades many college and university graduates have been forced into informal entrepreneurship to avoid being unemployed. This trend has also left many secondary school leavers with no option but to engage in apprenticeships in order to acquire more skills or participate in informal entrepreneurship, as contributing family members. The training obtained through apprenticeships or participation by family members has paved the way to becoming an informal entrepreneur. As such, limited employment opportunities have pushed many youths in this direction, as a last resort. In addition, with increasing levels of educational attainment amongst citizens without corresponding job openings in the labour market, awareness of the advantages of self-employment has led larger numbers of educated people to choose to enter informal entrepreneurship. However, some were motivated by role models and high income expectations from the activity (see Hart, 1973; Portes et al., 1986, 1989; Simon, 1998). These reflect participation out of choice by rational economic actors.

As noted previously, since the mid-1980s, when the Nigerian economy started declining, and the subsequent introduction of economic reform measures such as SAP, informal entrepreneurial activities have continued to expand. The weakened economy, manifested in the dearth of formal job opportunities particularly, has thrown many school leavers into informal entrepreneurial activities (Meagher and Yunusa, 1996). This is not limited to secondary school leavers but also extends to college and university graduates. Added to this, inadequate formal wages, falling real income values and rising costs of living intensified by SAP have led many formal workers in the public and private sector to resort to informal sector entrepreneurship as a means of additional or supplementary income. These developments have given rise to moonlighting and straddling as new patterns of entry into informal sector entrepreneurship (Meagher and Yunusa, 1996). In order to have a clear picture of the trajectory, the research explored the employment history and profile of the sample informal entrepreneurs.

5.2.2 Employment history and profile of the informal entrepreneurs

Table 5.3 presents the distribution of informal entrepreneurs by their employment history, showing that entrepreneurs who did not change their informal occupation form the majority, followed by solely informal and straddling informal entrepreneurs. Those who had changed their occupation were the least represented. This reveals that changing occupation or activity is not very frequent amongst informal entrepreneurs. Disaggregation of the formally employed informal entrepreneurs shows that middle management and participants employed as supervisors, technicians and teachers form the

majority of formally employed informal entrepreneurs. However, all professionals (doctors, accountants, lawyers, surveyors and architects) in the surveyed area were formally registered and operated under the purview of the state.

Table 5.3: Percentage distribution of informal enterprise owners by employment history

Employment history & profile	Freq.	%
<i>Occupational history of informal entrepreneurs</i>		
Engaged in the same occupation/activity	79	37
Engaged in a different occupation/activity	1	.5
Contributing family member in the same occupation	2	1
Contributing family member in a different occupation	0	0
Apprentice in the same occupation/activity as current	0	0
Apprentice in a different occupation/activity	0	0
Unemployed formally	66	31
Formally employed	46	21
Housewife	17	8
Retired formal worker	4	2
<i>Occupational history of multiple jobs holders</i>		
Professional (Doctor, etc.)	0	0
Top management	1	2
Middle management	18	39
Supervisor, Technician, Teacher	16	35
Employed working at a desk	6	13
Employed driver & others	3	7
Employed in a service job	0	0
Skilled manual worker	0	0
Unskilled manual worker	2	4

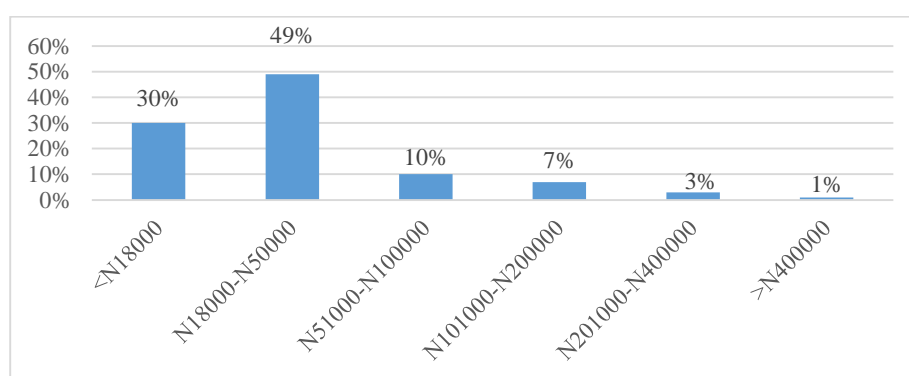
Source: Field Survey, 2012. Number of observations 215

The above results also confirm that various categories of formal job holders participate in informal entrepreneurship as a supplementary source of income. Further analysis discloses that straddling informal entrepreneurs constituted 21% of the surveyed participants. These findings reflect those reported by many earlier studies (see Fapohunda, 1981; Meagher and Yunusa, 1996; Simon, 1998). It has also been widely argued that the vast majority of the straddling informal entrepreneurs' engagement in the sphere is caused by fear of loss of job, lack of social benefits or erosion in the real income values in the public sector (Meagher and Yunusa, 1996; Potts, 2008; Sepulveda and Syrett, 2007). Participation in informal entrepreneurial activity is very common amongst formal employees in Zamfara state, Nigeria; formal workers often venture into informal entrepreneurial activity as their retirement plan, or even much earlier, to firmly establish their business before their retirement.

5.2.3 Income of surveyed informal entrepreneurs

Informal entrepreneurs' income is amongst the key issues relating to their nature, character and motives. Although respondents may be reluctant to answer questions related to their income and may under- or over-report (Skinner, 2005), their responses therefore needing to be treated with caution, this should not preclude the use of such data for income analysis. Thus, survey respondents were asked about the income realised monthly from their entrepreneurial activities. Figure 5.2 below illustrates the results.

Figure 5.2: Percentage distribution of entrepreneurs' earnings with minimum wage in Nigeria as the baseline



Source: Field survey, 2012. Number of observations 215

In relation to the Nigerian national minimum wage of ₦18,000, nearly three-quarters of respondents (70%) earned above the threshold. Male respondents' mean monthly earnings stood at ₦65,004.35 (three and half times the national minimum wage) while females' were at ₦24,988.89 (39% higher than the national minimum wage). Further analysis reveals that in aggregate, 21% of the sample earned three times the authorised minimum wage.

Salaried job holders were further asked to separate their salary from their formal job and say which of the two sources of income they considered to be highest. The finding reveals that informal entrepreneurship was the main income source for 47% of formally employed informal entrepreneurs in the sample, as shown in Table 5.4 below.

Table 5.4: Main income source for straddling informal entrepreneurs (formally employed participants)

Status	Freq.	%
Formal job	16	53
Informal entrepreneurial activity	14	47
Total	30	100

Source: Field Survey, 2012. Number of observations 30

In comparison to the formal sector, income disparity is much higher amongst the survivalist (subsistence) entrepreneurs than those with high incomes (dynamic informal entrepreneurs). The findings of this study also substantiate the claims by some scholars (Blunch et al., 2001; Chen, 2005; Hart, 1973; Portes et al., 1986) that not all informal entrepreneurs are low income earners.

The above findings echo empirical evidence from previous studies in Nigeria. For example, Oluranti's (2011) study of commercial motorcycle taxi riders in Lagos and Ogun states found that 86% earned above the national minimum wage, with a mean monthly earning capacity of ₦38,214.00, which is slightly more than twice the Nigerian national minimum wage. This pattern was also found in some other African countries. For instance, in Kenya, House's (1984) study of informal entrepreneurs in Nairobi found that incomes from some activities may be equal to or higher than the wage paid to formally employed workers, as has also been observed in the Latin American region (Portes et al., 1986).

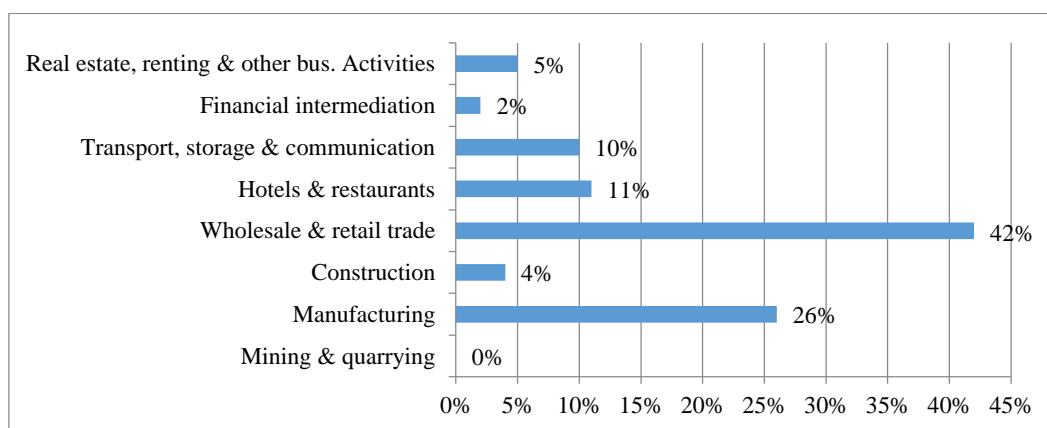
5.3 Characteristics of informal enterprises

While the previous sub-sections presented findings on the extent, nature and characteristics of the sample of informal entrepreneurs, this sub-section presents findings that emerged from examination of the characteristics of the informal enterprises. Seven issues will be examined: composition, location, organisation, regulations, workforce, sales and purchases, and finances.

5.3.1 Composition of informal enterprises

Analysis of the activity sector following international standard industrial classification (ISIC) Rev. 3 reveals that the majority of informal entrepreneurs engaged in wholesale and retail trade, and slightly above one-quarter in manufacturing, one in ten in hotels and restaurants, and in transport, storage and communication, with few entrepreneurs involved in financial intermediation. Figure 5.3 below presents the details.

Figure 5.3: Percentage distribution of informal enterprises by activity sector

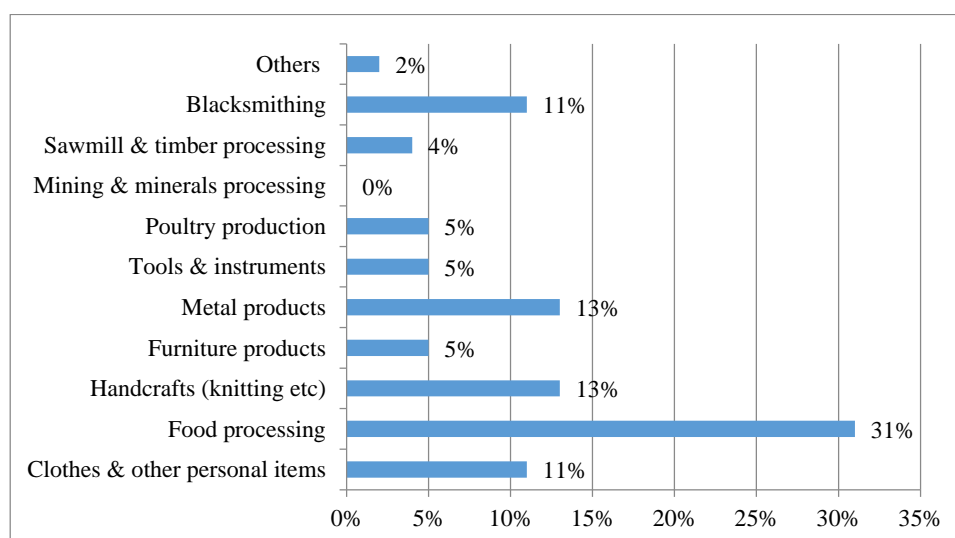


Source: Field survey, 2012. Number of observations 215

This distribution therefore reaffirms the earlier finding obtained from the phase 1 (household) survey presented in Table 5.1. It is also similar to the findings of several previous national and regional surveys in Nigeria. For example, at the national level, CBN/FOS/NISER (2001) found that the wholesale and retail trade accounted for almost three-fifths of the sample surveyed, manufacturing one-quarter, while financial intermediation was the lowest at 0.03% (see also Abumere et al., 1998; SMEDAN/NBS 2012; Oduh et al., 2008; Onyebueke, 2013 for Nigeria, Nyakaana, 1997 and Sofisa, 1991 for Central and Southern Africa). The relative importance of wholesale and retail trade comes as no surprise because they are the easiest informal entrepreneurial activities to set up due to their limited skill and capital requirements, particularly in the case of retail trade (Nyakaana, 1997).

Disaggregating the manufacturing sub-sector, Figure 5.4 below shows that food processing accounted for the majority of informal manufacturing activities. A similar distribution was reported by CBN/FOS/NISER (2001) in a national survey, with food and beverages accounting for nearly two-thirds of the manufacturing subsector of informal enterprises.

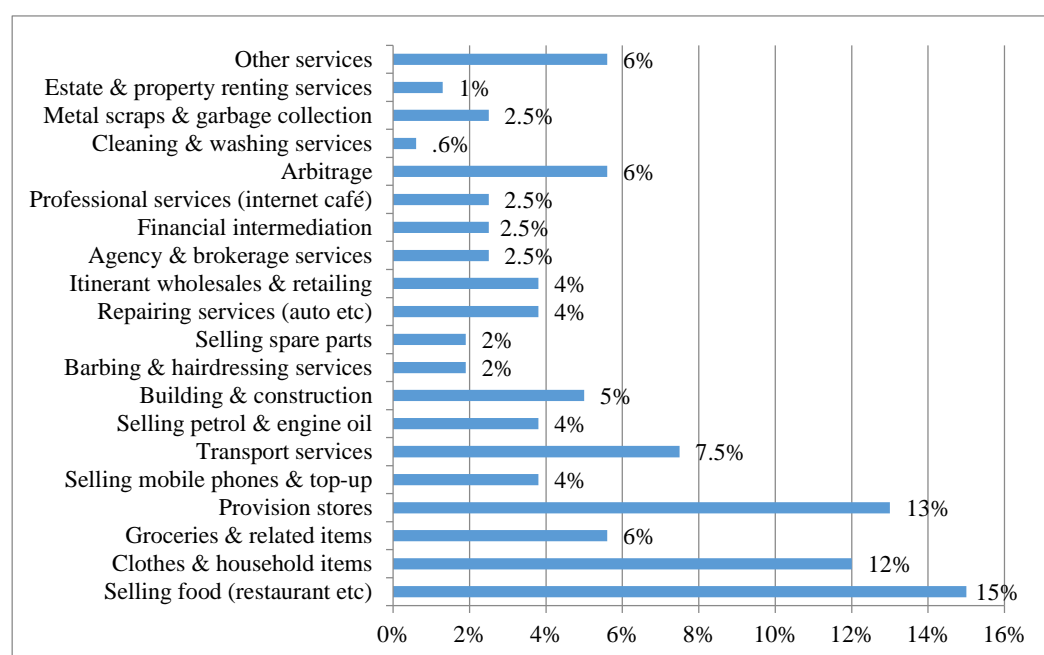
Figure 5.4: Percentage distribution of informal manufacturing enterprises by line of activity



Source: Field survey, 2012. Number of observations 56

In the service sub-sector, as shown in Figure 5.5 below, most informal enterprises were involved in activities such as selling food (restaurant services, etc.), provisions, and selling clothes and household items. Relatively few enterprises were engaged in real estate/property renting and cleaning and washing services.

Figure 5.5: Distribution of informal non-manufacturing (service) enterprises by line of activity



Source: Field survey, 2012. Number of observations 159

Turning to ownership structure, the majority (81%) were sole proprietors, 11% were in partnership and 4% each represented family and collective (cooperative) enterprises. Further analysis of ownership status in Table 5.5 below shows that, for every ten informal entrepreneurs in the sample, eight were own-account holders (either as independent or dependent/associate entrepreneurs), while two were employers.

Table 5.5: Distribution of informal enterprises by owner status

Owner status	Freq.	%
Owners/employers	47	22
Own-account holders	168	78
Total	215	100

Source: Field Survey, 2012. Number of observations 215

This result is consistent with a number of similar surveys in Nigeria. For example, Abumere et al. (1998) provide empirical evidence which suggests that the majority of their surveyed sample were sole owners (see also SMEDAN/NBS, 2012). The predominance of sole ownership is not surprising, since a majority of the participants operated on an own-account basis and their activities were carried out on a small scale. This is not peculiar to Nigeria; research in informal sector entrepreneurship in many countries around the world has shown consistently that sole proprietorship or own-account is the most

common type of ownership among informal enterprises and entrepreneurs (see Castells and Portes, 1989; Portes et al., 1986; Sofisa, 1991).

4.3.2 Location of informal enterprises

To identify the informal enterprises' locations, a list containing nine major types of locations, comprising six fixed and three non-fixed premises, was read to the respondents. As Table 5.6 indicates, business premises were the most common location, accounting for more than two-fifths of participants. The second most popular location in the study area was the home, mentioned by almost a quarter of the surveyed sample. Those operating in a non-fixed location (transport services and hawking) formed the third largest group, at 10%.

The large proportion of informal entrepreneurs operating at home is not surprising because a considerable percentage of females in the sample operated from home (87.5%). In contrast, and strikingly, 90% of males operated from *outside* the home. Respondents who replied that they worked at home were asked in a follow-up question to identify their main reason for doing so. Almost three-quarters (71%) asserted that it was easier to manage alongside family responsibilities. Two-fifths (20%) said that it was for cost reduction purposes (Table 5.6).

Table 5.6: Distribution of informal enterprises by enterprise location and main reasons for locating at home

Locations	Freq.	%
<i>Location of the enterprise (n=215)</i>		
Home of the informal entrepreneur	51	24
Business premises	91	42
Garden or orchard/subsidiary plot	4	2
Construction & mining site or garbage area	8	4
Flea market, bazaar stall & others	13	6
Street pavement or station with fixed post	17	8
No fixed location (transport services & hawking)	22	10
Others (specify)	9	4
Total	215	100
<i>Reasons for locating activity/enterprise at home(n=49)</i>		
To reduce costs	10	20
Easy to manage along with family responsibilities	35	71
Difficult to get a place	1	2
Others (specify)	3	6
Total	49	100

Source: Field Survey, 2012.

The findings above are similar to what has been observed by other researchers. For example, Abumere et al. (1998) report that 34% of informal enterprises were located at owners' residences, 19% at a

workshop, 17% on the street, 15% in the market place, 11% in open spaces, 3% in kiosks and 1% at government designated centres.

5.3.3 Organisational characteristics

With regard to organisational characteristics, the study investigated several aspects of informal enterprises' organisation, such as mode of entry, age of enterprise, conglomeration and diversification, and combination of formal and informal entrepreneurial activities at one time. The results are analysed below.

As Table 5.7 indicates, more than two-thirds (69%) of the enterprises were self-established, 18% started through inheritance, and 13% via apprenticeship. From the results above, there is empirical evidence to support the claim that most of the informal enterprises in Zamfara were self-established, either by dynamic or survivalist and subsistence informal entrepreneurs (Meagher, 1995). This finding thus corroborates similar previous studies in Nigeria. For example, Seibel (1996b) found that the majority of the sampled craftsmen informal enterprises in Ibadan and Lagos were self-established.

In terms of the age of enterprises, a majority (slightly above a half) were recently started and had been between 3-4 years in operation. Older enterprises (10 years and above) and new entrants (less than one year) were the least represented at 9% and 6%, respectively. In aggregate, almost three-quarters (72%) of the surveyed enterprises were four years old or less. CBN/FOS/NISER (2001) revealed similar findings, in the non-manufacturing sector, with 0-3 years accounting for the highest percentage. One explanation for the concentration of informal businesses with this life span could be high business mortality rates and lack of generational succession in informal enterprises in Nigeria (Onyebueke, 2013; Sam, 2003). Table 5.7 illustrates that four-fifths were sole proprietors. Further analysis reveals that more than half (54%) were founded on a partnership with members of their household.

Having multiple income sources and multiple business activities is very common amongst informal entrepreneurs in Zamfara state. Hence, conglomeration, as a form of diversification, is well ingrained in informal entrepreneurial activities in the state. Examination of this feature amongst the survey respondents revealed that slightly more than a third (36%) were engaged in multiple business activities. Out of the 77 respondents who said that they owned more than one business, nearly half (49%) had one other business, more than one-third (36%) owned two other businesses, and 14% had three other businesses (Table 5.7). When asked whether all their businesses were in the same line of activity the majority (62%) were affirmative, while 38% reported that they operated in more than one line of activity as a strategic choice for business growth and diversification strategy for risk mitigation.

This finding corroborates many research findings in Nigeria and West Africa (see Adedokun and Akande, 1998; Olarenwanju and Yusuff, 2012; Onyebueke, 2013; for Nigeria; Hart, 1973 for Ghana, West Africa). Also, many participants have multiple income sources. For example, Onyebueke's (2013) study of informal entrepreneurs in Enugu found that 59% of the surveyed participants had multiple businesses and 68% had multiple means of income (also see Coles, 1991; Fajana, 2008; Meagher and Yunusa, 1996; Mustapha, 1991; Oluranti, 2011; Simon, 1998).

Table 5.7: Distribution of informal enterprise owners by kind of business entry, duration of operation (firm birth), partnership, multiple business ownership and change of business activity

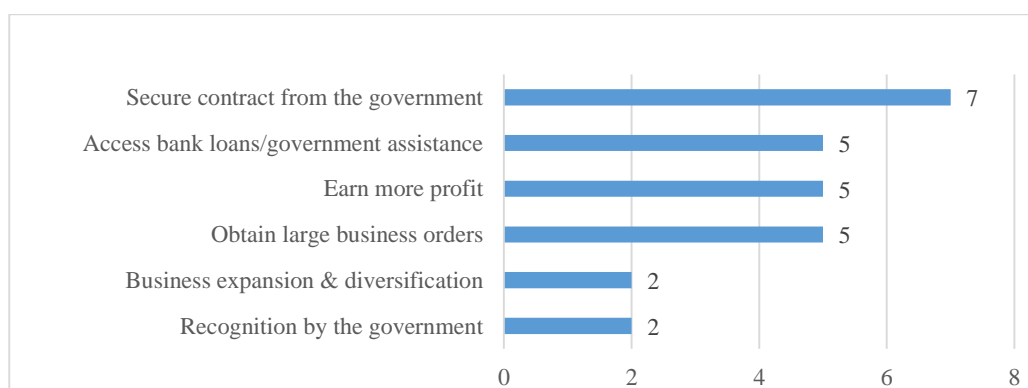
	Freq.	%
<i>Kind of business entry (n=215)</i>		
Inheritance	39	18
Apprenticeship	28	13
Self-established	148	69
Total	215	100
<i>Duration of operation(n=215)</i>		
Less than one year	13	6
1-2 years	28	13
3-4 years	113	53
5-9 years	27	13
10 years and above	19	9
Do not know	15	7
Total	215	100
<i>Partnership(n=215)</i>		
Yes	41	19
No	174	81
Total	215	100
<i>Type of partners (n=41)</i>		
Members of household	22	54
Non-members of household	19	46
Total	41	100
<i>Multiple business ownership (n=214)</i>		
Yes	77	36
No	137	64
Total	214	100
<i>Number of businesses owned (n=77)</i>		
One other business		
Two other businesses	38	49
Three other businesses	28	36
Total	11	14
	77	100
<i>Are all business activities in the same sector?(n=73)</i>		
Yes	45	62
No	28	38
Total	73	100
<i>Change of business activity(n=215)</i>		
Have changed once	40	19
Stick to one since start	159	74
Float from one type to another	13	6
Refusal/do not know	3	1
Total	215	100

Source: Field Survey, 2012.

Concerning change of line of business activity, Table 5.7 above shows that nearly three quarters (74%) never changed their business. From the remaining quarter of the respondents who changed their businesses, 19% changed once, while 6% floated from one type to another. The finding therefore reveals that change of business is not common amongst informal entrepreneurs, despite ease of entry and exit from one activity type or sector to another. One interesting finding is that amongst those that had changed their businesses, this switch resulted from either positive or negative outcomes. For the majority, it was a result of business growth and expansion. Conversely, for the minority it was caused by business failure.

Only 12% of the sample combined formal with informal business activities. This result is not surprising, since the majority were not aware of the need to register their undertakings. The respondents' reasons for combining formal with informal entrepreneurial activities in their responses to an open-ended follow-up question ('why do you combine your informal with formal business activity instead of being in either formal or in informal?') are presented in Figure 5.6.

Figure 5.6: Reasons for combining formal and informal entrepreneurship



Source: Field survey, 2012. Number of observations 26 (The figures are numbers not percentages)

As shown, out of 26 entrepreneurs who combined formal with informal entrepreneurial activity, seven (7) did so in order to secure a government contract, and five (5) each to access bank loans and assistance from the government, obtain large business orders and earn more income respectively. For two in each case it was a diversification strategy and a need for recognition by the government. Business expansion or diversification which triggered opening of a new line of business that required registration with the tax authorities (e.g. contract business or transport business using motor vehicle, bus or lorries) make informal entrepreneurs to operate semi-formally. Similarly, some informal entrepreneurs register with the tax authorities in order to secure large orders from the government. Therefore, for some it was meant to secure government recognition in the award of contract. It is interesting to note that all of these entrepreneurs were growth-oriented and dynamic informal

entrepreneurs who mostly had the capacity to employ others. Due to resource capacity and motivation to expand their businesses, dynamic informal entrepreneurs wished to connect with the formal sector for recognition and access to support, as well as to increase their earning capacity.

4.3.4 Regulating informal enterprises

The conventional belief is that informal entrepreneurship is unregulated (Becker, 2004; Portes and Schauffler, 1993). This supposition was examined in Zamfara in order to establish whether this perspective could be confirmed empirically. The findings suggest that the majority (59%) of informal entrepreneurs in the sample were not aware of any regulations governing the operation of their entrepreneurial endeavour. Out of the 86 respondents who were aware, 70% reported that the regulations originated from informal entrepreneurs' associations, while 30% stated that they originated from the government.

For the majority of those that were aware of regulations governing their operations, these regulations were reported as originating from trade associations. Indeed, most of the leaders of associations interviewed explained that they have rules and regulations for registered members. Failure to comply brought punishment, depending on the nature and gravity of one's offence. The most common punishments included curtailing and depriving an offender of the benefits enjoyed by members or those which the association accessed (e.g. allocation of market stalls constructed by local governments). Some interviewees also confirmed that the government used to incorporate trade associations in drafting regulations and policy formulation that had a direct bearing on and concern with the sector. Trade associations were also used by the government in disseminating information regarding regulations affecting the sector.

Regulations that cut across most of the associations include fair and transparent dealings; keeping promises; price tagging and control among producers and merchants; and no dealing in stolen goods. Other rules include not selling adulterated products (particularly for black market petroleum dealers). All cases of dishonesty were to be reported to the disciplinary committee for investigation and punishment; and all disputes between members, business partners and associates were to be reported to the committee for arbitration and settlement. Furthermore, a majority of the associations were governed by constitutions and compliance with the rules and regulations stipulated therein was binding on all members. Also, a majority of the associations issued identification cards and permits to members and these would usually be withdrawn when a member was dismissed.

The chairman of the fruit sellers' association stated that:

'For any association to operate successfully and achieve its goals, there must be some dos and do nots. We work with and abide by a constitution. It is stated in our constitution that there should

be no fighting, stealing, dubious dealings, and 'cin amana' [literally means cheating]. Molestation of business partners and associates is against the rules and every member must be law abiding and can be punished for disobedience and law breaking'.

Similarly, the chairman of a motor spare parts dealers' association asserted that:

'It is a law that our members should not deal in bad and stolen parts. We also have different committees dealing with different issues and matters. For example, all cases of dishonest dealing are handled by dishonesty committee and all disputes by peace committee. We hardly allow issues to be reported to police except when they are complicated'.

In the case of a tea and bread sellers' association, their rules included the following:

'Cigarettes smoking and taking alcohol, shaving and cutting nail, playing of cassette of preaching or political melody or campaign on a tape recorder around the tea shops is banned. Also all purchases of tea items must be made from a renowned supplier or store etc.'

For taxis (tricycle drivers and motorcycle riders), in addition to normal traffic rules, there are certain operational regulations, such as being prohibited from starting personal discussions with female passengers. Tricycle drivers are allowed by law to carry female passengers only, while motorcycle riders are prohibited from carrying female passengers.

An example of the existence of regulations was obtained from the Nigeria Automobile and Technicians Association (NATA) head office, Gusau on 5.12.2012 during a hearing of reconciliation and arbitration of disputes between a mechanic and his client. A client reported a case of cheating by his mechanic on the sale of a vehicle used in Nigeria as 'tokunbo' (used cars from European countries not previously used in Nigeria). All the parties involved were invited by a panel composed of Commissioners and the Chairman and Secretary of the association to attend the reconciliation. After hearing from both parties, the panel ruled that the mechanic concealed the truth about the condition of the vehicle. He was therefore instructed to return the vehicle to a good condition and that the remaining balance owed by the buyer should be written off. The mechanic did not agree with the verdict and reported the issue to his kinsmen, who sent a delegate, including a pastor, to investigate and resolve the matter out of court. When the case was read again, the mechanic was still found guilty of unfair dealing and was charged ₦10,000.00 for contempt of the panel's ruling. After an appeal from his brother and other family members it was agreed that he should pay half the amount (₦5,000.00).

Similar findings were reported by Lyon and Porter (2009) in their study of Nigerian food systems in Jos. The regulations reported in their study included: sanctioning norm breakers by market

leaders/associations; enforcing market specific rules and norms; setting prices; dispute settlement; and sometimes revenue collection for local government areas.

Contrary to the conventional belief that informal entrepreneurs are not regulated, the empirical evidence provided above suggests that they are regulated to a certain extent. However, the regulations mostly appear to originate from their informal associations. As ILO (2002, p.3) comment, ‘the term “informal” does not mean that there are no rules and norms regulating the activities of workers or enterprises. People engaged in informal activities have their own “political economy” – their own informal or group rules, arrangements, institutions and structures...’

The proportion of informal entrepreneurs registered with informal business associations appears high, as almost half of the sample surveyed (46%) were members of informal enterprise associations. Looking at registration with informal business associations from a gender perspective, male membership rates were higher, at 56%, compared to females, at 12.5%. This finding is in accordance with other studies in Nigeria and other African countries. For example, in Nigeria, Onyebueke (2013) discovered that slightly above half of his respondents were members of informal trade associations, while Abegunde’s (2011) study of indoor informal economic activities in Lagos revealed nearly three-fifths of the respondents were members of informal business associations. Skinner (2005), in Durban, South Africa, reported that more than one-third were members of such associations. However, in stark contrast with the finding of the present study, according to Skinner (2005), women made up a larger proportion than men.

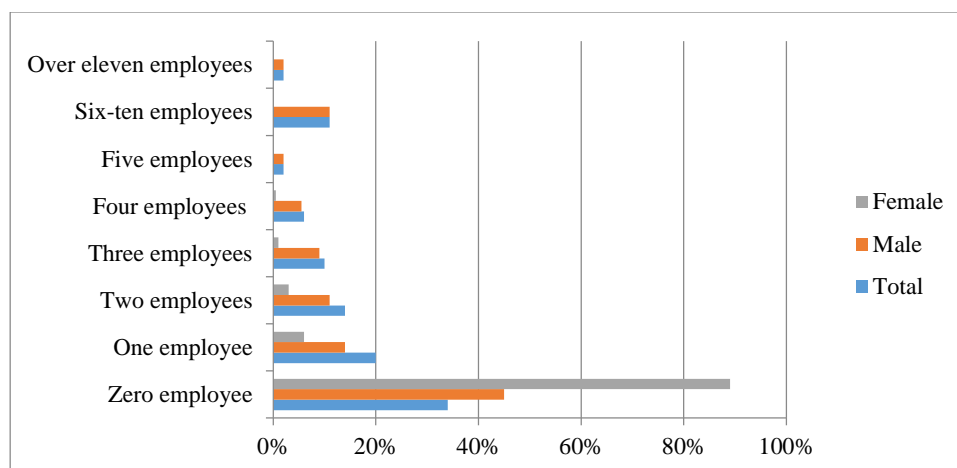
5.3.5 Workforce structure and composition

To understand the nature, structure and composition of the workforce of informal enterprises in the study area, it is important to determine the percentage of informal entrepreneurs with employees that had registered with labour regulatory agencies and find out whether they were contributing to social security and welfare benefits for their workers. None of the informal employers surveyed (n=47) was registered with social security or labour regulatory agencies. As a result, they did not pay social security contributions. This finding is similar to that of Oduh et al. (2008), where some 83% of the surveyed informal entrepreneurs asserted that they did not benefit from pension fund contributions. Not only that, formal rules of written employment contracts were generally defied; labour contractual agreements were mostly unwritten and were based on familiarity and personal or familial relationships rather than formal contractual arrangements (Mabogunji and Filani, 1981; see for example, Uzo and Mair, 2014). This indicates that employer/employee relationships in Nigeria’s informal sector are most commonly governed by informal labour relations.

Considering employment size (Figure 5.7), some 34% of the entrepreneurs worked alone, without any employees, as own-account holders who managed their businesses on a sole proprietor basis. Some

20% of those in the survey employed one person; 14% engaged two workers; while 10% or less of the sample employed three or more workers.

Figure 5.7: Distribution of informal enterprises workforce



Source: Field survey, 2012. Number of observations 215

This pattern is consistent with several other studies in Nigeria. For example, the national collaborative survey carried out by CBN/FOS/NISER (2001) found that 59% of the total workforce in non-manufacturing and 73.6% of manufacturing enterprises were sole operators. This further confirms that, in Nigeria, a substantial proportion of informal entrepreneurs conduct their business activity as own-account informal entrepreneurs.

4.3.6 Informal enterprises sales and purchases

Turning to sales and purchases among informal entrepreneurs, survey respondents were asked about their input suppliers/place of purchase, and what influenced buying from a particular supplier/place of purchase. The respondents were also asked about the purchase of inputs on credit and problems, if any, in respect of supply of raw materials (quality and quantity). The interviewees' responses are summarised in Table 5.8.

Table 5.8: Distribution of informal enterprises by input suppliers, place of purchase, buying on credit and problems with supply of raw materials

	Freq.	%
<i>Inputs supplier/place of purchase (n=205)</i>		
Formal supplier/place of purchase	32	16
Informal supplier/place of purchase	173	84
Total	205	100
<i>Influence for buying from informal supplier/place of purchase (n=205)</i>		
Lower price		
Easy access	57	28
Goods/inputs not available in the formal market	88	43
Build community/help the supplier	27	13
Do not know/refusal	9	4
Total	24	12
	205	100
<i>Purchase of inputs on credit(n=201)</i>		
Yes	90	45
No	111	55
Total	201	100
<i>Problems with supply of raw materials (quality & quantity) (n=199)</i>		
Yes		
No	27	14
Total	171	86
	199	100

Source: Field Survey, 2012.

As Table 5.8 indicates, a strikingly high proportion (84%) purchased their inputs from informal suppliers or places of purchase; only 16% relied on formal suppliers or purchased inputs from formal firms. This finding resonates with the findings of other researchers. For instance, Fapohunda (1981) discovered that 80% of informal sector entrepreneurs in Lagos bought raw materials from other informal enterprises, and only 7% bought from formal enterprises. The remaining 13%, who were presumed to be in the service sector, did not need any raw materials in the conduct of their activity. From a national survey, Abumere et al. (1998) found that 58% of informal enterprises received their suppliers from informal firms, 28% from domestic formal firms and the remaining 14% from foreign sources, government and others. It is evident, therefore, that a substantial percentage of informal enterprises in Zamfara rely heavily on informal sources of supply of raw materials.

The sample responses relating to influences on purchasing from informal suppliers and places of purchase revealed that for 43% it was due to easy access; 28% were influenced by lower prices; 13% said the inputs they required were not available in the formal market; whilst a significant proportion (12%) declined to answer the question. However, 4% were influenced by building community/helping the supplier. This demonstrates that easy access and lower prices are the key factors motivating informal entrepreneurs to buy from informal firms. Examining purchases on credit, a slightly larger proportion, by only 5%, bought on a cash basis rather than on credit. This means that informal entrepreneurs value buying inputs both by cash and on credit basis.

With regards to problems faced in the supply of raw materials, just one in seven (14%) had experienced such problems. A goldsmith provided one relevant example by explaining that owing to the government imposing stiffer controls on illegal gold mining, they were experiencing acute shortages of supply of this material.

In addition, the respondents were asked about the main buyers of their products/services. They were also asked whether they were selling on credit and whether they encountered any problems with regard to the sale of their goods and/or services. Table 5.9 illustrates the results.

Table 5.9: Distribution of informal enterprises product/service sales by main buyers, credit sales and problems with sale of goods/services

	Freq.	%
<i>Main buyers of informal enterprises goods/services (n=206)</i>		
Other informal traders	27	13
Formal organisation/traders	17	8
Friends, relatives, neighbours and acquaintances	23	11
General customers/clients	139	68
Total	206	100
<i>Selling on credit (n=203)</i>		
Yes	140	69
No	63	31
Total	203	100
<i>Problems with sale of goods and services (n=201)</i>		
Yes	24	12
No	177	88
Total	201	100

Source: Field Survey, 2012.

With respect to main buyers, the majority (68%) were general customers/clients. The remaining three categories were other informal traders; friends, relatives, neighbours and acquaintances; and formal organisation/traders, which accounted for 13%, 11%, and 8% respectively. These figures clearly indicate that buyers in the informal sector from the sample surveyed were mostly general customers and clients, a few other informal traders and some close associates of the entrepreneurs. Looking at credit sales, the survey reveals that a considerable percentage of respondents (69%) sold their products and/or services on credit, as against 31% who sold only on a cash and carry basis. Regarding problems related to sale of goods and services, a clear majority (88%) did not encounter any such problems.

Reflecting on these results, purchases/supply and sales of informal enterprises' products and/or services were largely conducted informally. This suggests that informal enterprise linkages with the formal sector, both forward and backward, in Zamfara state, are very low.

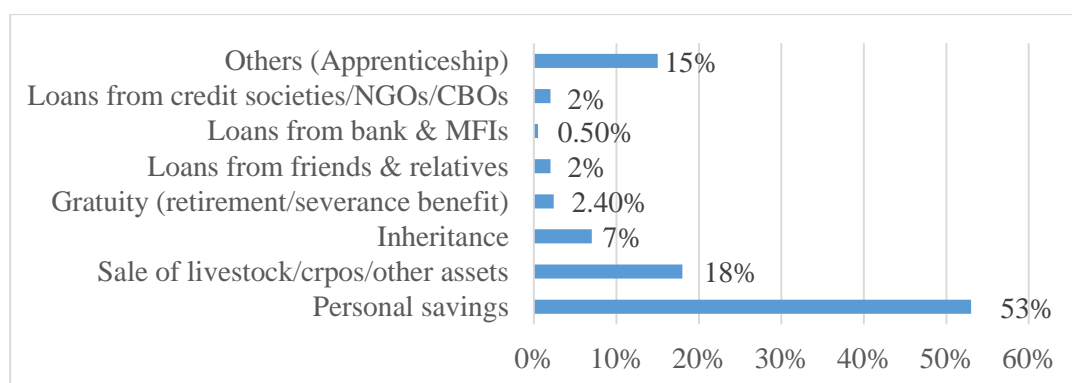
5.3.7 Informal enterprise finance

To explore the nature and characteristics of informal enterprise finance in Zamfara, the respondents were asked about their main source(s) of initial (start-up) capital, source(s) of financing and their most likely source(s) of additional finance. The results are reported in Figures 5.8, 5.9, 5.10 and 5.11, respectively.

Initial capital is a critical element in any venture creation. Whilst it is possible to start up certain entrepreneurial activities, especially informal businesses, based on one's skills and ingenuity, even these types of entrepreneurial activities at times require some input of start-up capital, to meet specific requirements.

In Zamfara, as illustrated in Figure 5.8, more than half (53%) of the informal entrepreneurs said their main source of start-up capital was from personal savings. The other most commonly cited main sources were sale of livestock/crops and other assets (18%) and apprenticeships (15%). All others, including inheritance, were cited as the main source by fewer than 10% of the sample.

Figure 5.8: Informal entrepreneurs' main sources of initial (start-up) capital

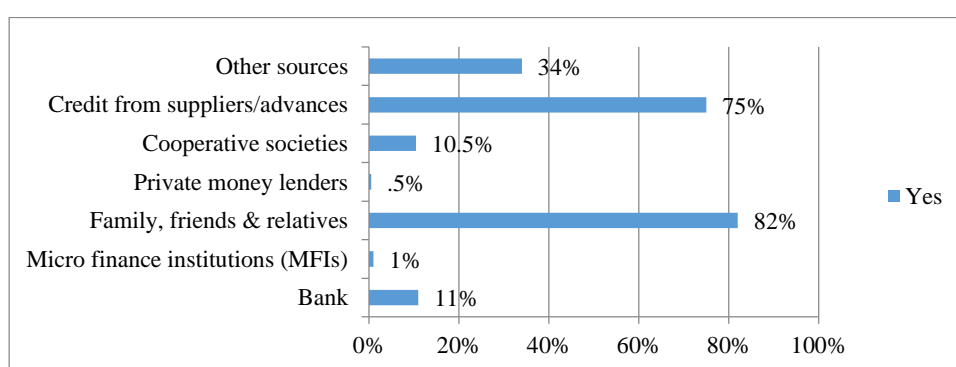


Source: Field survey, 2012. Number of observations 215

Similar findings were observed in several studies in Nigeria (see CBN/FOS/NISER, 2001; Fopohunda, 1981; Mabogunji and Filani, 1981; Meagher and Yunusa, 1996; Onyebueke, 2013; Seibel, 1996b; Simon, 1998; SMEDAN/NBS, 2012; Ubogu et al., 2011) and in Sub-Saharan African countries (see Dube, 2010; Richardson, 1984; Skinner, 2005). Fapohunda (1981), for example, reported that, consequent upon the lack of access to formal credit institutions, 86% of enterprises surveyed faced difficulties in raising capital, and that as a result, 91% of their capital requirements were met through personal savings. Richardson (1984, p. 25) supports this finding: 'informal sector enterprises rely heavily on internal resources (owners, family and friends) for capital, the lack of credit is a barrier to expansion and they are unable to obtain capital from either the bank or the government in quantities they need at reasonable costs'.

The need to fully understand the nature of informal enterprises financing instigated further inquiry into the most likely source(s) of additional finance for informal entrepreneurs. As reflected in Figure 5.9 below, a very significant percentage (82%) mentioned that they were more likely to source their additional finance for business expansion from family members, relatives and friends. The next most frequently mentioned was credit from suppliers/advances from customers, at 75%, followed by other sources, at 34%. Only 11% respectively named bank and cooperative societies as their most likely sources for additional finance. This further confirms the heavy reliance of informal entrepreneurs on family, friends and relatives as the main sources of finance for their ventures.

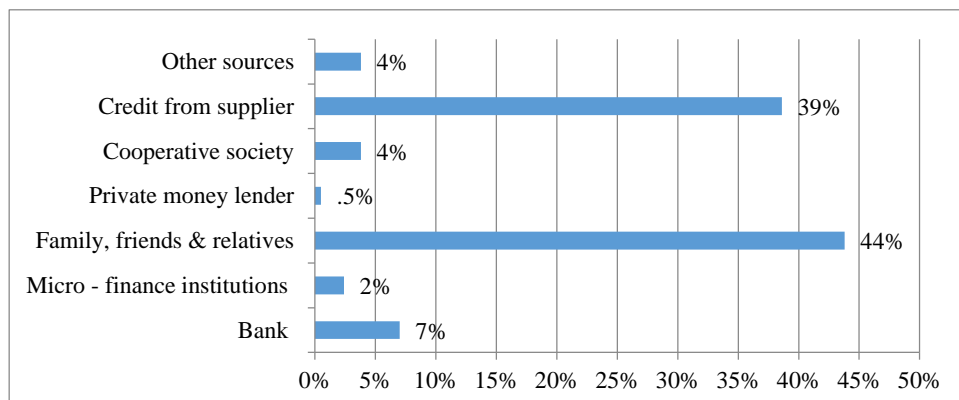
Figure 5.9: Informal enterprises' most likely sources of additional finance



Source: Field survey, 2012. Number of observations 215

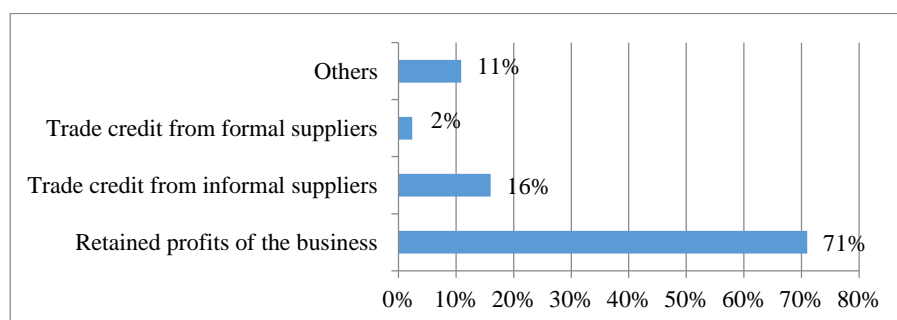
When asked about the most important source of additional finance in a follow-up question, the results almost replicated their initial responses, as Figure 5.10 shows. However, in examining the source(s) of financing business operation in isolation, i.e. meeting one's operating (working) capital requirements (Figure 5.11), internal sourcing from the business operation (retained profit) scored the highest, at 71%, followed by trade credit from informal suppliers, at 16%, while the remaining 13% was accounted for by other sources. A sizeable percentage of informal entrepreneurs, therefore, used their internally generated profit to finance their working capital requirements and, to some certain degree, trade credits with informal suppliers. The low level of transactions in terms of trade credit between informal and formal enterprises indicates limited linkage between the two sectors.

Figure 5.10: Most important sources of additional finance



Source: Field survey, 2012. Number of observations 215

Figure 5.11: Sources of financing business operations



Source: Field survey, 2012. Number of observations 215

In short, informal entrepreneurs in Zamfara, as the study reveals, do not rely on formal sources of finance for their start-up, operating (working) capital and additional finance but instead rely heavily on personal savings, internally sourced, in the form of profit generated from the business, family, friends and relatives, and trade credit from informal suppliers.

5.4 Chapter summary

This chapter has revealed, amongst other things, that informal enterprises in the area constitute 91% of total enterprises, with participation by both genders. Participants comprise both formally employed and unemployed, full- and part-timers (moonlighters). Accordingly, for some, it is the only means of income but to others it forms one of multiple income sources. Similarly, the sphere comprises both single and multiple enterprise owners distributed across a number of sectors, but particularly numerous in wholesale and retail trade, transport and communication and manufacturing of assorted products,

mostly food-related and processing of agricultural produce. A substantial percentage of the participants were found to be own-account, with relatively few employers, contributing family members, apprentices and very few members of collective enterprises (cooperative societies).

Contrary to the conventional belief that informal entrepreneurship is urban-oriented economic activity brought about by urbanisation and migration, empirical evidence suggests that in Zamfara informal entrepreneurs are widely dispersed across urban, suburban and rural areas.

Although household survey identified considerable female participation rates, women were less visible in market-like entrepreneurial activities due to socio-cultural barriers. Apparently, men constituted the majority in market-like transactions, while women dominated home-based activities. Similarly, as a result of geographical factors, the Hausa ethnic group forms the largest ethnic group in the sample because the study area predominantly consists of Hausa-speaking communities.

Informal entrepreneurship was found to be dominated by middle-aged individuals, a majority of whom were married. A substantial number had attained some level of education. However, men were more educated than women, overall. Employment wise, participants cut across socio-economic strata, comprising the employed, under employed and unemployed. Amongst the employed, both high and low ranked cadres were engaged in the activity. There were also skilled, semi-skilled and unskilled participants, as well as professionals, semi-and non-professionals. Variations in the income mostly reflect participant's type of activity and resource capability. Nevertheless, the majority earned above the Nigerian national minimum wage (in terms of total income).

Regarding characteristics of the informal enterprises, sole proprietorship constituted an overwhelming majority. A striking contrast emerged between males and females, with the former operating primarily from business premises and a very substantial percentage of the latter operating from home. In terms of age of the enterprise, the majority had been in existence for between three and four years. None of the enterprises in the sample registered its employees under any social security contribution scheme and the majority of workers were owners of the enterprises.

Both sales and purchases were mostly conducted informally, suggesting limited forward and backward linkages with formal enterprises. A majority of the enterprises did not encounter problems related to sales of their products and purchases of raw materials and other inputs and merchandises. The most common source of finance was from sales of agricultural produce and livestock and loans from family, friends and relatives, rather than from formal institutions. The enterprises also relied heavily on trade credits from suppliers.

Although a majority of the participants were not aware of government regulations concerning their activity, there was evidence that, to a significant extent, they were regulated by their informal

associations and organisations. In addition, sometimes the government used quasi-legal approaches to regulate their activities through their unions. Under this type of arrangement, the government uses informal entrepreneurs' trade associations to facilitate the regulation of members' activities by incorporating government rules and regulations into members' operational guidelines and dos and do nots. At times leaders of the trade associations are enlisted in promulgation of such regulations as members of government committees and board members.

CHAPTER SIX: ANALYSIS OF CHARACTERISTICS RELATING TO DIFFERENT GROUPS OF SURVEYED INFORMAL ENTREPRENEURS

Introduction

Heterogeneity in the characteristics of informal entrepreneurs has been pointed out by several scholars (e.g. Castells and Portes, 1989; de Medina, 2006; Nelson and Bruijn, 2005; Pitamber, 1999; Rakowski, 1994; Sepulveda and Syrett, 2007; Trager, 1987). In order to establish the nature of informal entrepreneurship diversity in Zamfara state, this chapter evaluates and explores the characteristics relating different groups of the surveyed informal entrepreneurs. A pertinent question which this study seeks to answer is whether the characteristics of informal entrepreneurs vary or are homogeneous across different groups, and if so, in what ways? To achieve this, socio-demographic and enterprise-level (economic) variables were used in the analysis to explore variations amongst different groups engaged in informal entrepreneurship in the context of Zamfara. Multivariate associations were explored in order to appraise the determinants of variations in the nature and characteristics of surveyed informal entrepreneurs.

6.1 Data description and variables for logit analysis

To analyse the nature and characteristics of different groups of informal entrepreneurs, five dependent variables associated with the nature and character of the participants were examined against a common set of independent variables concerning socio-demographic and enterprise-level characteristics using logit analysis. The socio-demographic and firm-level factors are assumed to influence participants' engagement in the activity in line with theories explaining the drivers and forces for entry into informal sector entrepreneurship. The dependent (outcome) variables examined were location of the enterprise; income group; mode of entry; ownership structure; and wish to formalise.

The location of informal enterprises comprises four variables; three fixed locations and one non-fixed location. Informal entrepreneurs operating at home, business premises and other locations (construction and mining sites, and gardens and orchards) are fixed in nature, while those engaged in street hawking and transport are the non-fixed locations entrepreneurs.

Income is categorised into three levels; lower, middle and high income. The lower income level is below the Nigeria national minimum wage threshold of ₦18,000. The middle and high income levels are at ₦18,000-₦50,000, and above ₦50,000 respectively.

As with income, mode of entry consists of three categories: those whose start-up is linked to family tradition and adoption of their parental occupation and trade practices, those who were in the sector as a result of apprenticeship training and owners of self-established informal enterprises.

Ownership structure is measured using two categories (i.e. sole proprietors and those in partnership with business associates or family members or a form of collective enterprises/cooperative societies). A further question asked entrepreneurs whether they wished to formalise also comprises two categories: those wishing to formalise or those who preferred to remain as informal entrepreneurs.

As regards explanatory variables, six were included: gender, age, educational attainment, neighbourhood types (affluent or deprived), ownership status (employer or own account) and employment status (solely informal or straddling formal-informal entrepreneurs). Binary response measures (e.g. Sex) were coded so that they took the value 1 if a characteristic was true (Male) and 0 if not (Female). For variables with more than two categories (e.g. Age group) a set of dummy variables was created for each category (15-30, 31-40, 41-50 and over 50 years), with one excluded for identification purposes. Table 6.1 below provides details of these variables (including reference groups).

Table 6.1: Explanatory variables by categories and reference elements

Variables	Description
Male	Dummy variable = 1 if sex = male, 0 otherwise
Age 15-30	Dummy variable = 1 if aged 15-30 years old (ref), 0 otherwise
Age 31-40	Dummy variable = 1 if aged 31-40 years old, 0 otherwise
Age 41-50	Dummy variable = 1 if aged 41-50 years old, 0 otherwise
Over 50 years	Dummy variable = 1 if aged over 50 years old, 0 otherwise
No school	Dummy variable = 1 if no school (ref), 0 otherwise
Primary/Secondary	Dummy variable = 1 if Primary/secondary, 0 otherwise
College/University	Dummy variable = 1 if College/University, 0 otherwise
Affluent districts	Dummy variable = 1 if Affluent districts, 0 otherwise
Employers	Dummy variable = 1 if Employers, 0 otherwise
Solely informal	Dummy variable = 1 if Solely informal, 0 otherwise

Even though the nature and characteristics of informal entrepreneurs may be determined by a number of factors, the above selected explanatory variables were considered especially relevant in answering the research questions posed in this study. In addition, these factors are found in the extant literature on informal entrepreneurship to be key characteristics in determining variations in the nature of informal entrepreneurs (see Adom and Williams, 2012; Das, 2003; Oluranti, 2011; Shahid and Williams, 2013; Williams and Shahid, 2014; Williams and Martinez, 2014a).

As noted in Chapter Four, due to the nature of the dependent variables, logit analysis was chosen in preference to ordinary least squares (OLS) regression, given well-known problems with the latter in

the case of discrete (choice) dependent variables (for example, in the case of binary models, these potentially include predictions outside the unit interval, heteroscedasticity, and biased and inconsistent estimates). Three different types of discrete choice logit models were used in the analysis that follows (i.e. binomial, multinomial and ordered logit) according to the structure of the dependent variable under consideration. Binomial logit was used in the analysis of ownership structure and desire of the participants to formalise their venture (both dichotomous variables). In exploring location and mode of entry into the sphere (unordered choices), multinomial logit was employed. However, in the case of income, ordered logit was used because the responses were in ordered categories. For ease of interpretation, estimated average marginal effects of the models are presented in the subsequent sections.

6.2 Results of empirical analysis on nature and characteristics

The results of these various models of logit analysis performed to provide empirical confirmation regarding the characteristics of the surveyed entrepreneurs are presented in the subsequent tables below, in each case reported as average marginal effects for ease of interpretation.

Informal entrepreneurs' location: As described earlier, a multinomial logit model was used to explore the characteristics of the surveyed entrepreneurs in respect of the location of their enterprises (Table 6.2). In estimation of the model's coefficients, a default category 'others' was nominated as the baseline category with which to compare the other types of locations (home of the entrepreneurs, business premises, and street hawking and transport). This identifies the model's parameters. The statistics indicate a generally good fit: the model as a whole is strongly significant according to the likelihood ratio test ($\chi^2(27) = 134.81$, $p\text{-value} < 0.001$). The pseudo- R^2 indicates high explained variability at 0.26.

Table 6.2 shows that men were 56 percentage points less likely than women to operate at home and 44 percentage points more likely to locate their ventures at business premises than their female counterparts. The coefficients for these effects were large and indicate a very clear statistical significance ($p\text{-value} < 0.001$).

This finding supports earlier studies (e.g. Cling et al., 2010; Fapohunda, 1981; Mabogunje and Filani, 1981; Pittin, 1984; Simon, 1998; Trager, 1987) which found that female informal entrepreneurs in predominantly Muslim communities largely operate from home, due to the Islamic culture's emphasis on adult female seclusion. Females are therefore less likely to be found in market-like and visible entrepreneurial activities. Another factor that cuts across many cultures and which contributes to the high rate of female informal entrepreneurs operating at home is their domestic responsibilities. Ybarra's (1989) study in Valencia, Italy, found that 31% of female informal entrepreneurs cited these responsibilities as their reason for operating at home.

Table 6.2: Average marginal effects based on multinomial logit estimates of socio-demographic and enterprise characteristics on enterprise locations of surveyed informal entrepreneurs

Variables	(1) Home of entrepreneur	(2) Business premises	(3) Street hawking/ Transport	(4) Others
Sex:				
Male	-0.560*** (0.083)	0.436*** (0.072)	0.077 (0.060)	0.048 (0.039)
Age group (RC: 15-30 years old)				
31-40 years	0.031 (0.065)	0.046 (0.086)	0.049 (0.071)	-0.126** (0.062)
41-50 years	0.009 (0.066)	0.115 (0.086)	0.000 (0.069)	-0.106 (0.059)
Over 50 years	0.001 (0.073)	0.041 (0.097)	-0.047 (0.071)	0.006 (0.076)
Educational level (RC: No education)				
Primary/Secondary	0.008 (0.060)	0.091 (0.077)	-0.056 (0.067)	-0.042 (0.052)
College/University	0.015 (0.085)	0.061 (0.112)	-0.121 (0.090)	0.044 (0.074)
Neighbourhood type:				
Affluent	0.093 (0.059)	0.023 (0.071)	-0.121** (0.054)	0.004 (0.042)
Ownership status:				
Employers	-0.081 (0.061)	0.252*** (0.075)	-0.159*** (0.049)	-0.011 (0.043)
Employment status:				
Solely informal	0.091 (0.078)	0.116 (0.110)	0.009 (0.102)	-0.218** (0.099)
Constant	0.472 (1.286)	-1.165 (1.158)	Baseline	0.189 (1.567)
Observations	215			
Log likelihood	-196.93			
LR χ^2 (27)	134.81			
Prob > χ^2	0.000			
Pseudo R ²	0.26			

Notes: Standard errors in () parentheses below the marginal effects; * significant at 10%; ** significant at 5%; *** significant at 1%

Turning to the age group of the participants, entrepreneurs in the 31-40-year-old band were found to be 13 percentage points less likely to be located at ‘other’ locations than those aged 15-30. The effect is statistically highly significant, at 5%. This indicates that younger entrepreneurs were less likely to be located in construction, garbage collection and mining and quarrying sites. In contrast, levels of education had no statistically significant influence on location choice.

With respect to participants’ types of neighbourhoods, the average marginal effect revealed that informal entrepreneurs from affluent districts were 12 percentage points less likely than those in deprived neighbourhoods to trade on the street. The outcome could be attributed to the fact that entrepreneurs in the affluent districts were more financially buoyant in most cases than those in the deprived districts and could afford to pay for rented shops in business premises. Furthermore, informal entrepreneurial activities in affluent areas are frowned upon by the authorities. Closely linked to this is the fact that most of the participants from affluent neighbourhoods usually trade in high value and

tangible goods, as opposed to street entrepreneurs who often engage in selling low quality and low cost goods (see Simon, 1998).

An examination of employers versus own account holders reveals that employers were 25 percentage points more likely than own account holders to be located at business premises. Conversely, they were 16 percentage points less likely to operate as street entrepreneurs. The effects in both cases were statistically strongly significant, at the 1% level. These locational differences between employers and own account holders could possibly be explained by the limited resources of the majority of own account holders, at times making it difficult for them to acquire premises in business districts or to rent shops in the business areas in their localities. As a result, the majority had to resort to operating at home, on the street pavement, or hawking. Apart from economic factors, other factors such as the need to cater for employees, and the need for more working space, particularly for those in manufacturing and production, are possible explanations for locational choice and differences.

In terms of solely informal versus straddling formal-informal entrepreneurs, the former appear less likely (by 22 percentage points) to be located at 'others' locations. The effect is statistically highly significant (p-value < 0.05). This is not surprising, given the nature of the variables that constitute the category (i.e. construction and garbage collection sites, garden and orchards). The fact that these are mostly skills-oriented entrepreneurial activities, with the exception of garbage collection, is perhaps the reason why straddling formal-informal entrepreneurs were more likely to be found in such locations, as a consequence of the nature of the activity requiring some previous experience or skills. In particular, informal construction firms were owned in most cases by professionals in formal employment who wished to test the viability of their venture, or retired self-employed individuals.

In sum, the model's estimates indicate that, from the five predictor variables, only level of education had no statistically significant effects on informal enterprise location of the surveyed participants, while the other categories were statistically significant for at least one or more variables.

Average monthly incomes: An ordered logit model was estimated in order to explore the effects of participants' characteristics on their average monthly income levels (in ordered categories, ranging from lower to higher income earners). However, the predictor variables and their reference cells remained the same as those in the previous table. The model's general statistics as measures of the overall fit of the model evidently showed that the model is acceptable (likelihood ratio $\chi^2(9) = 68.66$ and associated p-value < 0.001). The model again possesses a relatively high pseudo- R^2 at 0.24.

Table 6.3 indicates that gender has statistically strongly significant effects, with men being 35 percentage points less likely to be in the low income category compared to their female counterparts,

and 16 percentage points and 2 percentage points more likely respectively to be in the middle and higher income levels than female informal entrepreneurs. It therefore provides convincing evidence that the income levels of informal entrepreneurs differ significantly, based on gender. The estimates are presented below.

Table 6.3: Average marginal effects based on ordinal logit model estimates of socio-demographic and enterprise characteristics on monthly income levels of surveyed informal entrepreneurs

Variables	(1) Lower income	(2) Middle income	(3) Higher income
Sex:			
Male	-0.345*** (0.074)	0.159*** (0.046)	0.0186*** (0.039)
Age group (RC: 15-30 years old)			
31-40 years	-0.069 (0.079)	0.028 (0.033)	0.041 (0.048)
41-50 years	-0.127 (0.083)	0.042 (0.031)	0.084 (0.058)
Over 50 years	-0.100 (0.102)	0.037 (0.035)	0.063 (0.070)
Educational level (RC: Never)			
Primary/Secondary	-0.100 (0.071)	0.003 (0.025)	0.006 (0.047)
College/University	0.016 (0.112)	-0.006 (0.042)	-0.009 (0.070)
Neighbourhood type:			
Affluent	-0.252*** (0.051)	0.015 (0.037)	0.237*** (0.065)
Ownership status:			
Employers	-0.252*** (0.048)	-0.056 (0.063)	0.308*** (0.094)
Employment status:			
Solely informal	-0.139 (0.097)	-0.032* (0.019)	-0.108 (0.092)
/cut1	0.937 (0.924)		
/cut2	4.063 (1.004)		
Observations	138		
Log likelihood	109.63		
LR χ^2 (9)	68.66		
Prob > χ^2	0.000		
Pseudo R ²	0.24		

Notes: Standard errors in () parentheses; * significant at 10%; ** significant at 5%; *** significant at 1%

This finding is again similar to previous studies (e.g. Fapohunda, 1981 on Lagos; Mabogunje and Filani, 1981 on Kano; MacEwen, 1991 on Lima, Peru; Meagher and Yunusa, 1991, 1996 on Zaria). Meagher and Yunusa (1991) explained that women's income levels are highly affected by their choice of entrepreneurial activity, as they mostly tend to concentrate on low income activities, such as dressmaking, petty trading and the like. This has been attributed to their limited skills and education, access to markets and information, social networks, financial resources and the lack of a positive self-concept (see ILO, 2004; Ladan, 2010b; Sherief, 2005; Sherief and Aswaddalai 2008; Yusuff, 2011).

The estimated average marginal effects of age groups and level of education did not show any statistically significant difference in relation to average monthly income among the surveyed informal entrepreneurs. However, the estimates indicated a clear statistically significant impact, at the 1% level, on both the lower and the higher income categories, in respect of operators from the affluent districts. These entrepreneurs were found to be 25 percentage points less likely to fall into the lower income category. Conversely, they were 24 percentage points more likely to be in the higher income class. It is perhaps not surprising those informal entrepreneurs in the affluent districts tended to have a positive and strong effect on the higher income category because they were selling higher value goods that would attract higher margins. Another alternative causal link can be that successful entrepreneurs have the opportunity to locate in affluent districts owing to their higher incomes. Again, the negative and strong impact on the low income category is also reflective of the types of commodities for sale; it is expected that, other things being equal, the number and purchasing power of customers, in addition to the entrepreneur's resource capacity, tend to have a positive impact on profit and future income.

An assessment of the employers versus own account holders reveals similar results to those obtained for operators in affluent and deprived districts. As with the entrepreneurs in affluent neighbourhoods, employers amongst the operators were 25 percentage points less likely to be found in the lower income category and 31 percentage points more likely to belong to the higher income group. It could also suggest an alternative causal link between successful enterprises and the chance to expand and employ others in their enterprises. Similar income disparities were highlighted by several scholars both for Nigeria (see Fajana, 2008; Fapohunda, 1981; Mabogunji and Filani, 1981; Simon, 1998) and elsewhere for example, House (1984) on Kenya and Biles (2009) and Temkin (2009) on Mexico). This body of evidence indicates that dynamic and growth-oriented informal entrepreneurs have high incomes compared to subsistence and survivalist entrepreneurs.

The differences in income levels between employers and own account holders can be attributed to factors such as capital investment differentials (House, 1984); types of products sold; number and purchasing power of their customers; and the eventual turnover from the business. House (1984) found significant variations in the earnings of informal entrepreneurs in petty trading (mostly own account holders) when compared with those in wholesale and professional services (mostly employers). Tokman (1989), meanwhile, posits that informal entrepreneurs' income is often related to the type of activity one is engaged in, and hence earnings may vary, depending on the nature of the individual's business activity.

In terms of employment status, the estimates reveal that solely informal entrepreneurs were 3 percentage points less likely to be found in the middle income category in comparison with straddling formal-informal at ($p\text{-value} < .10$). This is also not surprising because one's employment status may

not necessarily determine earning potential; *ceteris paribus*, often solely informal operators can earn more than straddling informal operators, and vice versa. So employment status has little impact on the income level of informal entrepreneurs, as revealed by the result. In fact, income levels of informal entrepreneurs are determined mostly by the individual entrepreneur's earning potential, often based on one's type of activity which is not necessarily linked to being either a sole or straddling entrepreneur (see Tokman, 1989).

Mode of entry into informal entrepreneurship: A multinomial logit model was constructed for estimation of the determinants on selecting any of the three categories of inheritance, apprenticeship or self-establishment as the mode of entry into informal entrepreneurship (as these are unordered categories). The χ^2 and pseudo- R^2 are low, suggesting modest explanatory power, and very few estimates are significant (see Table 6.4 below).

Table 6.4: Average marginal effects based on multinomial logit model estimates of socio-demographic and enterprise characteristics on mode of entry into informal entrepreneurship among surveyed entrepreneurs

Variables	(1) Inheritance	(2) Apprenticeship	(3) Self-established
Sex:			
Male	0.082 (0.059)	0.008 (0.064)	0.089 (0.078)
Age group (RC: 15-30 years old)			
31-40 years	-0.070 (0.073)	-0.024 (0.062)	0.094 (0.084)
41-50 years	-0.059 (0.078)	-0.049 (0.063)	0.108 (0.089)
Over 50 years	-0.064 (0.084)	-0.012 (0.079)	0.076 (0.101)
Educational level (RC: Never)			
Primary/Secondary	-0.051 (0.069)	0.132 *** (0.057)	-0.080 (0.080)
College/University	-0.114 (0.089)	-0.006 (0.063)	0.108 (0.102)
Neighbourhood type:			
Affluent	0.044 (0.064)	-0.006 (0.051)	-0.044 (0.072)
Ownership status:			
Employers	0.034 (0.069)	0.114* (0.069)	-0.148* (0.082)
Employment status:			
Solely informal	0.063 (0.088)	0.037 (0.076)	-0.100 (0.107)
Constant	0.851 (1.369)	Baseline	2.797** (1.137)
Observations	215		
Log likelihood	166.59		
LR χ^2 (18)	24.67		
Prob > χ^2	0.134		
Pseudo R^2	0.069		

Notes: Standard errors in () parentheses; * significant at 10%; ** significant at 5%; *** significant at 1%.

An examination of the model's estimates reveals that, amongst the socio-demographic explanatory variables, only level of education had a statistically significant impact on the mode of entry into the activity. The estimate of primary/secondary level versus the reference group of no formal education indicates that the former were 13 percentage points more likely to enter through an apprenticeship than those without. (p-value < 0.001). This is not unexpected, given the high rate of unemployment that has affected all sectors of the Nigerian economy. In addition, a government policy encouraging skills acquisition as a measure for tackling unemployment might be a possible explanation for this outcome. This is because various government programmes such as youth empowerment and vocational skills development scheme of NDE and youth empowerment scheme of NAPEP among others have components of apprenticeship for the promotion of entrepreneurial skills acquisition in technical vocational skills oriented activities.

The estimates also show that for the two enterprise-level characteristics examined only employers of informal sector enterprises had any statistically significant effect on apprenticeship and self-established modes of entry, in comparison to their own account counterparts. Employers of informal sector enterprises were found to be 11 percentage points more likely to engage in informal entrepreneurship through apprenticeships than own account holders. Conversely, they were 15 percentage points less likely to enter the sector via self-establishment than own account holders. They also seldom engaged in the sector as founders of an informal enterprise. Perhaps a plausible reason is that the majority of the employers were found to be engaged in production and manufacturing, where having relevant skills would be a prerequisite for entry. In the informal sector, most skills are acquired through informal education and training, and these are often accessed via apprenticeships. This trajectory links employers in informal manufacturing and production with apprenticeship as their mode of entry into the activity.

Enterprise ownership structure: Being a binary response variable, a standard logit model was estimated for this analysis. The model appears to be acceptable statistically (likelihood ratio $\chi^2(9) = 28.31$, p-value < 0.001; pseudo- R^2 0.13). The estimated average marginal effects are shown in Table 6.5 below.

Table 6.5: Average marginal effects based on binomial logit model estimates of socio-demographic and enterprise characteristics on enterprise ownership structure among surveyed informal entrepreneurs

Variables	Sole proprietorship
Sex:	
Male	0.166*** (0.049)
Age group (RC: 15-30 years old)	
31-40 years	-0.070 (0.081)
41-50 years	-0.188** (0.074)
Over 50 years	-0.192** (0.082)
Educational level (RC: Never)	
Primary/Secondary	0.043 (0.062)
College/University	0.135 (0.094)
Neighbourhood type:	
Affluent	0.063 (0.062)
Ownership status:	
Employers	-0.096* (0.055)
Employment status:	
Solely informal	-0.124 (0.100)
Constant	-1.884** (0.931)
Observations	215
Log likelihood	-92.02
Likelihood Ratio (LR) χ^2 (9)	28.31
Prob > χ^2	0.000
Pseudo R ²	0.133

Notes: Standard errors in () parentheses; * significant at 10%; ** significant at 5%; *** significant at 1%

The results reveal that being male has a positive impact on ownership structure of informal enterprises, with men found to be 17 percentage points more inclined to sole proprietorship than women informal entrepreneurs (the impact being statistically strongly significant). A possible explanation for these dissimilarities can be deduced by focusing on socio-cultural and psychological perspectives of informal entrepreneurs.

From psychological perspectives, women's lack of positive self-concept (ILO, 2004; Sherief, 2005; Sherief and Aswaddalai, 2008) might result in their avoidance of risky entrepreneurial decisions. Women prefer to form partnerships rather than operate as sole proprietorships, the latter seeming to be riskier because the owner assumes all the risks alone rather than sharing them. Hence, women might be more fearful of establishing business independent of male partners. Some earlier studies (e.g. Shahid and Williams, 2013) found that women are risk-averse and hence have a higher antipathy to risk than men. Therefore, they prefer to form partnerships and to avoid assuming the total risk that may arise from any misfortune or adversity that might befall a venture.

From a social psychological approach, some scholars attribute these gender-based differences in enterprise formation between male and female to variations in the structural position of men and women in society (situational explanation) and differences in their personality constructs and interpersonal orientations (dispositional explanation) (see for example, Carter et al., 1997). The arguments of proponents of the situational perspective can be linked to a resource-based theory of entrepreneurship which assumes that entrepreneurial aspiration is determined by resource availability in a given region or society, by which sources of entrepreneurial opportunities prevail. Accordingly, gender-based differences in entrepreneurial achievements can be ascribed to variations in access to opportunities (resources and social networks) between men and women (Carter et al., 1997). Resource deficiencies often affect women's capacity to start up independent business and consequently make them dependent on men (see Ndemo and Maina, 2007).

On the other hand, the proponents of the dispositional perspective attribute these differences in men's and women's entrepreneurial pursuits and firm creation to women's low dispositional capabilities, manifested as low risk-taking propensity, high need for personal security, and potentially an inferiority complex, leading to negative self-concepts (see for example, Arista et al., 2012a; Valencia and Lamolla, 2005). All the above explanations are highly debatable. Accordingly, no unequivocal explanations for women's low rate of participation in economic activities in general, and formation of sole proprietorship in particular, can be given.

However, mirroring feminist theories, the theory of female subordination that prevails in paternalistic systems of family, especially in patriarchal societies, may be a reason for male dominance in sole proprietorship. For example, some cultures serve to restrict female entrepreneurship (Judd, 1994; Ndemo and Maina, 2007). In Hausa society, entrepreneurship activity that involves interaction in public is strongly male-oriented. This could explain the high proportion of women as partners in certain types of outdoor and non-home-based entrepreneurial endeavours. This is however, not peculiar to Hausa society, also being a common feature of Muslim social customs (see Gray and Finley-Harvey, 2005 on Morocco; Judd, 1994 on Northern China). For example, Islamic culture prescribes that a woman should not travel alone without a 'muhrim' (closely related male partner to whom marriage is prohibited) for guidance and protection. This is not only the case in some types of Islamic culture; in northern China, for example, women are prohibited by local customs and traditions from taking part in businesses that require travelling to distant places. Custom also restricts women having personal contact with strangers and non-relatives or non-family members (see Judd, 1994). This can explain why women in some societies mostly rely on their parents, husbands or very close relatives for business support. Thus, a more plausible explanation in the context of Zamfara, Nigeria might be drawn from a socio-cultural lens. In this case, men's high proportion in the sole proprietor type of informal entrepreneurship, when compared with women, is more likely to be rooted in men's

social status, role definition and gender segmentation in economic activities in Hausa society. Hausa culture, as described earlier in the literature, is generally 'patriarchal with strong paternalistic tendencies', with men being solely responsible for the economic and social security of their womenfolk (Zakaria, 2001, p. 113). This culture encourages men to provide full sustenance for their families, for whose upkeep they are fully responsible, while women are responsible for household duties (matrimonial obligations and children's upbringing). Hence, women's economic role is considered complementary (Muhammad, 2010). This conception has made them economically dependent on men promoting the formation of informal co-preneurship in many households. The incidence and popularity of this type of informal entrepreneurship has reduced women's participation as sole proprietors and increased their participation as partners, as opposed to their male counterparts.

A universal explanation is family considerations (i.e. balancing business activities with family responsibilities). The convenience offered by the partnership in form of permitting women to combine their household duties with partnering with someone who could look after the venture on their behalf as co-owners encourages their participation in partnerships rather than in sole ownership. It is therefore plausible to argue that women's inclination towards partnership is consequential on their commitment to household responsibilities and the convenience offered by combining their entrepreneurial activity with their family obligations.

The estimates provided by the analysis indicate that two older categories (aged 41-50 and over 50 years old) were each 19 percentage points less likely to participate as sole proprietors than those between the ages of 15 and 30 years old. The magnitude of the coefficient is small but it has a moderately high statistical significance with p-value < 0.05. These findings are not unexpected; other things being equal, older participants are expected to have expanded their enterprises as a result of experience and growth. As such, some having become family enterprises or formed partnerships with other entrepreneurs for synergy and to expand their business activities.

Compared with own account holders, employers were found to be 10 percentage points less likely to be sole proprietors (< 0.01). Again, this is not surprising because, other things being equal, it is expected that their enterprises have developed and reached maturity. Hence, they might have started to expand and put in place a succession plan. However, with respect to levels of education, neighbourhood types and employment status no significant effects emerged.

Wish to formalise: The extent to which respondents indicated a desire to voluntarily formalise is one of issues of concern in this study. As a binary response variable, a logit was estimated to measure the determinants of this propensity. The model as a whole is highly significant (likelihood ratio χ^2 (9) = 65.62, p-value < 0.001), and has a good fit, as revealed by the high value of the pseudo-R² at 0.23 as shown in Table 6.6 below, which reports the estimates.

Table 6.6: Average marginal effects based on binomial logit model estimates of socio-demographic and enterprise characteristics on wish to formalise among surveyed informal entrepreneurs

Variables	Wish to formalise
Sex:	
Male	0.207** (0.082)
Age group (RC: 15-30 years old)	
31-40 years	-0.104 (0.080)
41-50 years	-0.021 (0.087)
Over 50 years	0.021 (0.097)
Educational level (RC: Never)	
Primary/Secondary	0.170** (0.083)
College/University	0.483*** (0.111)
Neighbourhood type:	
Affluent	0.091 (0.072)
Ownership status:	
Employers	0.244*** (0.083)
Employment status:	
Solely informal	0.006 (0.119)
Constant	-1.989** (0.889)
Observations	202
Log likelihood	106.96
Likelihood Ratio (LR) χ^2 (9)	65.62
Prob > χ^2	0.000
Pseudo R ²	0.235

Notes: Standard errors in () parentheses; * significant at 10%; ** significant at 5%; *** significant at 1%

From these estimates, statistically significant impacts emerged in relation to gender, level of education and ownership status. Thus, men were found to be 21 percentage points more likely to wish to formalise than their female counterparts. This is not unexpected, since males had more access to information than female informal entrepreneurs (see ILO, 2004; Ladan, 2010b; Sherief, 2005; Sherief and Aswaddalai, 2008; Sethuraman, 1998). It is also not unique to women in Zamfara, in Vietnam, Cling et al. (2010) found that women were less willing to register their businesses.

Turning to levels of education, the model reveals that entrepreneurs with primary/secondary education and those with college/university education were more likely to desire to formalise their ventures than those without formal education. The large size of the college/university marginal effect (48 percentage points compared with those without formal education) is an indication that the more educated informal entrepreneurs are, the higher the probability that they will desire to formalise their informal entrepreneurial endeavour. Overall, the results reveal that educated entrepreneurs were more willing and had a higher predilection to transform to formality, in line with Williams and Shahid (2014) for Pakistan and Cling et al. (2010) for Vietnam. For example, Williams and Shahid (2014) found that

informal entrepreneurs with primary and those with secondary levels of education in Pakistan were three times more likely to formalise, in the case of the former, and four times in the latter, than those that had not received formal education. This implies that probability increases monotonically with level of education.

Furthermore, the model indicates that amongst the owners of informal sector enterprises, those employing other staff were 24 percentage points more likely to wish to transit to formality than own account holders. The larger size of the marginal effect and the statistically strong significance at 1% level is a clear indication of the tendency of this group to formalise their informal businesses. This finding is again consistent with those of previous studies (e.g. Arimah, 2001; Cling et al., 2010). However, age group, neighbourhood type and employment status of the participants had no statistically significant effects.

6.3 Chapter summary

This chapter provided an analysis of the characteristics of the surveyed informal entrepreneurs relating to different groups of participants using logit analysis. The aim was to explain the character and nature of informal entrepreneurship in Zamfara state by analysing demographic and enterprise characteristics variables. The major findings are summarised below.

On characteristics of the surveyed informal entrepreneurs, empirical findings revealed that men were less likely to operate at home than women and participants in affluent districts were less likely to operate on the streets than those in deprived neighbourhoods. Employers were found to be more likely to be located in business premises than their own account counterparts.

The findings relating to income, mode of entry, ownership structure and wish to formalise also show some variations. For example, on income, the analysis reveals that male participants and those in affluent districts and employers were less likely to be in the lowest income category than females and individuals operating in deprived neighbourhoods and own account holders.

Regarding participants' mode of entry into the activity, primary/secondary school graduates and employers were found to be more likely to start up informal entrepreneurial activity via apprenticeship, while in terms of ownership structure, men were more likely to be sole proprietors than women. However, employers and the older generation of the surveyed entrepreneurs were found to be less likely to operate as sole proprietors than own account holders and younger ones. Pertaining to participants' wish to formalise, men, formally educated people and employers exhibited a greater desire to voluntarily formalise their ventures than those in other categories. Based on the evidence gathered, the analysis suggests that there were both differences and similarities in characteristics among the different groups of informal entrepreneurs surveyed.

CHAPTER SEVEN: EVALUATING THE MOTIVES OF INFORMAL ENTREPRENEURS

Introduction

This chapter focuses on the evaluation of informal entrepreneurs' motives through the theory of motives of informal entrepreneurship. As in most similar studies, the starting point for exploring entrepreneurial motivation is the individual's initial reason for starting a business enterprise. This thesis adopts the same approach.

7.1 Informal entrepreneurs' motives

The first assumption examined was that informal entrepreneurs are stimulated to engage in informal entrepreneurial activity for a number of reasons depending on their economic and socio-cultural circumstances. To explore this, the replies from the respondents with regard to their main reason for engaging in informal entrepreneurship were analysed. Table 7.1 below presents the results.

As Table 7.1 reveals, the main reason for close to a third (30%) of respondents was 'self and family sustenance'. Some 17% were in the sector owing to 'inheritance and family tradition', while 14% engaged in the activity due to the need for 'additional/more income' or as a 'secondary job' (to put skills to greater use) and for 'higher income'. Those whose initial reason for engagement reflects 'secondary job' and 'higher income' factors accounted for 11% each. The smallest proportions were represented by 'unemployment', 'prefer to be my own boss' and 'flexibility and independence', at 4% each; 'job dissatisfaction' at 3%; and 'laid off/retrenchment' at 2%. This suggests – similar to the studies by Portes et al. (1986, 1989) – that survivalist entrepreneurs constitute the majority of informal entrepreneurs in most economies, including Zamfara state. The next largest groups consisted of those following their ancestral legacy and those seeking to improve their income and living conditions (reasons relating to secondary job and additional income). The least represented were the (mainly) voluntary entrants who joined the sector seeking to increase their income, to be their own boss and for the freedom and independence involved compared to a formal job

The results indicate that pursuit of means of subsistence and following the parental occupation had a very strong influence on participants' initial engagement in informal entrepreneurship. Other factors that strongly motivated individuals to engage in informal entrepreneurial activity, as the findings reveal, were pursuit of income opportunities and greater use of one's skills, as in the case of those engaged in the activity as a secondary job. However, business ownership and freedom and independence were not among the top motivators for engaging in informal entrepreneurship among the respondents in the study.

Table 7.1: Initial and combination/co-presence of motives for engaging in informal entrepreneurship

Main reasons (initial motives)	Freq	%	Other motives (incidence of combination of motives)	Freq	%
Ancestry/family tradition	36	17	Family tradition-Family tradition (single motive)	6	3
			Family tradition-Self and family sustenance	13	6
			Family tradition-Additional income	6	3
			Family tradition-Higher income	10	5
			Family tradition-Independence	1	.5
Job dissatisfaction	7	3	Job dissatisfaction-Job dissatisfaction (single motive)	4	2
			Job dissatisfaction-Self and family sustenance	2	1
			Job dissatisfaction-Prefer to be my own boss	1	.5
			Laid off/retrenchment-Self and family sustenance	2	1
Laid off/retrenchment	4	2	Laid off/retrenchment-Higher income	2	1
Unemployment	9	4	Unemployment-Family tradition	2	1
			Unemployment-Self and family sustenance	7	3
Self and family sustenance	63	30	Self and family sustenance-Self and family sustenance (single motive)	22	10
			Self and family sustenance-Family tradition	3	1.5
			Self and family sustenance-Job dissatisfaction	1	.5
			Self and family sustenance-Unemployment	2	1
			Self and family sustenance-Secondary job	1	.5
			Self and family sustenance-Additional income	15	7
			Self and family sustenance-Higher income	18	8.5
			Self and family sustenance-Prefer to be my own boss	1	.5
			Secondary job-Secondary job (single motive)	12	6
			Secondary job-Job dissatisfaction	1	.5
Secondary job	23	11	Secondary job-Self and family sustenance	4	2
			Secondary job-Prefer to be my own boss	6	3
			Additional/more income-Additional/more income (single motive)	19	9
			Additional/more income-Family tradition	2	1
			Additional/more income-Self and family sustenance	3	1.5
Additional/more income	30	14	Additional/more income-Prefer to be my own boss	5	2.5
			Additional/more income-Independence	1	.5
			Higher income-Higher income (single motive)	6	3
			Higher income-Self and family sustenance	4	2
Higher income	23	11	Higher income-Prefer to be my own boss	11	5.5
			Higher income-Independence	2	1
			Prefer to be my own boss-Prefer to be my own boss (single motive)	5	2.5
			Prefer to be my own boss-Additional income	3	1.5
Prefer to be my own boss	9	4	Prefer to be my own boss-Higher income	1	.5
			Flexibility and Independence-Flexibility and independence (single motive)	2	1
			Flexibility and Independence-Higher income	2	1
			Flexibility and Independence-Prefer to be my own boss	5	2.5
Total	213	100		213	100

Source: Field survey, 2012. Number of observations 213.

7.2 Incidence of dual motives among informal entrepreneurs

It has been argued extensively in the literature (e.g. De Silva, 2010; Giacomini et al., 2011a; Vorley and Rodgers, 2014; Williams, 2007a) that an individual may not necessarily be motivated to start a business for a single reason but rather for a combination of reasons (Dawson and Henley, 2012), and that motives can alter as circumstances change. Hence, entrepreneurs' motives may be multidimensional and temporal in nature.

In an attempt to assess the strength of this proposition, which goes beyond the dichotomous explanation of motives for engaging in informal entrepreneurship, this thesis investigated the incidence of dual and transition in informal entrepreneurs' motives. To examine these possibilities in the context of Zamfara state, participants' responses to a follow-up question: 'any other reasons?' were analysed, as shown in Table 7.1 above.

Table 7.1 shows that among the cohort of informal entrepreneurs interviewed, 64% had more than one motive, with 39 different combinations of reasons reported (single and pairing of dual motives). The most common combinations among the entrepreneurs holding dual motives were 'self and family sustenance' and 'higher income', accounting for 8.5%. Next were 'self and family sustenance' and 'additional income' (income topping), at 7%, followed by 'family tradition' and 'self and family sustenance' at 6%. The rest of the pairings scored below 6%. Across the combinations, 'self and family sustenance' emerged as the most common pairing, cutting across all other factors, except 'prefer to be my own boss' and 'flexibility and independence'. Arguably, these factors might be viewed entirely as opportunity-related; hence, participants thus motivated were more likely to be personal growth-driven informal entrepreneurs.

Other factors that appear to co-pair with half of the factors are 'higher income' and 'prefer to be my own boss'. Though few participants were driven by 'prefer to be my own boss' as a primary motive, this factor paired with two-thirds of the other factors as a secondary motive. This combines with factors related to unemployment and subsistence, as well as those associated with income-driven and job preference, which are more likely personal growth-driven factors. Informal entrepreneurs' tendency to combine 'prefer to be my own boss' with other reasons may be due in part to the desire for business ownership and the benefits it accrues. Similarly, 'higher income' pairs with factors associated with necessity, such as 'laid off/retrenchment' and 'self and family sustenance' as well as those linked to job preference, such as 'prefer to be my own boss' and 'flexibility and independence'. Within the multidimensional factors, it is often combined with 'family tradition'.

As the results indicate, the majority of informal entrepreneurs did not cite one single motive when explaining their motives for participation in informal entrepreneurship. However, participants driven by unemployment and subsistence scored highest on co-presence of motives associated with mainly income-driven motives, 8.5% citing 'higher income', 7% 'additional income', with 'family tradition' at 6%. The most likely reasons behind this could be that 'self and family sustenance' in general is a prime objective of every adult. Secondly, almost half of the participants (47%) were primarily motivated by two reasons (family tradition and self and family sustenance).

7.3 Transition and alteration of motives over time

In addition to the co-presence of more than one motive for participation in informal entrepreneurship, the reasons for informal entrepreneurship may alter over time. For example, while an individual's drivers for participation may be unemployment and subsistence (need-driven motives) at the start of the venture, this might later be replaced by income-driven or job preference motives (growth-driven motives). Survey respondents were therefore asked whether they had experienced a change of motives during the course of their entrepreneurial endeavours. Almost a quarter (22%) responded affirmatively. Among those who stated that their reasons had changed, a majority shifted away from economic need-driven towards economic growth-driven motives. In response to the open-ended question, 'from experience, does your reason for starting your venture change over time?' participants provided further explanations on how their motives were altered in the following quotes:

Firstly, among those who started an informal entrepreneurial activity on the ground of ancestral practice (family traditional occupation), a respondent who engaged in butchering as a family tradition at the point of entry asserted that:

'I learnt this business from my father as our traditional family occupation. So at the beginning it was just my traditional occupation, meant to serve as a source of income and to preserve my family trade. However, with the growth of my business, I currently consider it as the best business for anyone ready to learn the skill. Many people nowadays are engaged in butchery without it necessarily being their family tradition but as a source of income. For example, two of my employees are not from a family of butchers.'

This quote clearly indicates that while informal entrepreneurship may initially be based on preservation of family trade traditions, 'choice' can become a motivational factor as a result of business success. A second point that emerges in this quote is that an entrepreneur who had started a business 'involuntarily', for example due to the influence of family, can subsequently change to 'self-selection', as a consequence of business growth. It is clear, therefore, that whilst engagement in informal entrepreneurial activity can be triggered by one's ancestral trade or family occupational history (involuntary), it can later become one's best business choice, on account of business growth and expansion.

Second, with respect to income augmentation, particularly among low income salaried job holders, a couple of cases below illustrate how participants' motives changed owing to an increment in the income realised from informal engagements. For example, a formally employed former motorcycle taxi-rider described how:

'Initially I started as a commercial motorcycle rider and my wife was managing a small provision kiosk attached to my rented apartment to augment my income from the salaried job. With savings from my operation, I bought a motor vehicle for transportation. Currently, I have two vehicles shuttling between Abuja-Kano and Gusau-Abuja. Along with that I'm also into real estate and property development for renting services'.

Meanwhile, a middle aged man (46 years) straddling formal/ informal entrepreneur dealing in assorted articles, including kerosene, firewood, GSM credit cards (top up), landed properties and hiring out of construction materials, said:

'I started with selling of kerosene and then my motive basically was to meet ends but it was later changed as a result of my business growth. Now, my attention is directed towards its development and how to become a well-established businessman before my retirement'.

A middle aged woman formally employed as a primary school teacher explained:

'My change of motive emanated from my business growth. When I noticed that my income was increasing my motive started shifting from self and family sustenance to reserving part of the profit to expand my activities. As you can see I'm involved in knitting and selling of provisions. Three years back I only engaged in knitting and my teaching job'.

All three of these quotes indicate that the participants' initial motive was to address the issue of inadequate wages from formal jobs. This suggests their entry into informal entrepreneurship was driven by their need to improve their living standards. Subsequently however, due to business prosperity (consequent upon growth and success), personal growth and income accumulation-driven motives such as business ownership and higher income, came into play and eventually replaced the survival and self and family sustenance related drivers. Furthermore, business diversification was a catalyst for business growth. These three examples clearly demonstrate how motives altered as a result of business diversification and how the use of diversification as a business growth strategy was a signpost to change in motivations.

A third observation that emerged in exploring changes in motives was that the initial impetus for informal entrepreneurship was as a survival strategy occasioned by unemployment.

'Initially I started the activity in order to find the means of survival and to satisfy my immediate needs. Having achieved some success as a result of my business growth my motive presently is to establish my concrete moulding industry and help others to become gainfully employed'.

In addition, a 25-year-old polytechnic graduate engaged in the transport business declared:

'While I was driving a fairly used vehicle, I engaged in a short journey, due to the condition of the vehicle. When I bought a new one I changed my trips to long journeys, which brought a higher income. This development led to a change in my motive. I have now dropped the idea of searching for government employment as I am no longer interested in taking a formal job; instead I will occupy myself with how to expand my transport business'.

These quotes suggest that the respondents had initially been pushed into the sector owing to a lack of formal employment opportunities. With the growth of their business activities and higher incomes, their motives shifted from survival and sustenance to mainly income-driven and business ownership and growth motivations. According to one respondent, the higher income potential of his activity altered his attitude to formal employment, causing him to prefer self-employment. Thus, a change in

motivation shaped job orientation. Along the same lines, a 30-year-old participant who was initially a survivalist entrepreneur exhibited a typical case of gradual business growth that led to a change of motives, as he later decided to become an industrial producer of blocks:

'I experienced a change in my motives due to business growth. I started this business using a donkey to convey sand. As a result of an increase in my income I saved some money with which I bought a cart. After working with the cart for three good years, I sold it and bought my first pickup delivery van. Since then I have kept on changing delivery vans whenever I have seen a better one. My motive now is to buy a block-laying machine and establish a permanent site'.

It is evident from his statement that as his business gradually expanded his motive altered from subsistence and economic need to income-driven and business ownership.

Finally, in addition to business growth and expansion, many participants who were formally apprentices said independence was a catalyst to their change of motives. Independence and freedom from their masters formed recurring themes in the accounts of former apprentices interviewed. As illustrated in the quotes below, attainment of autonomy played a significant role in instigating change in their motivations from self and family sustenance motives to growth and becoming one's own boss.

A 40-year-old informal self-employed furniture maker said:

'I started as an apprentice with a dealer in building materials. After graduation I engaged in such activity for a while before I decided to change to furniture making. As a result of market expansion, both my business structure and motive have changed. Some years back my operation was at a lower phase than what it is now. For the last two years I have worked with only three apprentices but now, apart from apprentices, I have five more workers'.

Another middle-aged (46-year-old) informal entrepreneur, engaged in selling yams in a flea market, expressed that:

'I started as an apprentice. My master used to send me to buy yams from Lafia and Markudi. I attained my independence after 25 years of service. With a change of status from an apprentice to an independent owner of a business my motive moved away from sustaining myself to business development'.

These quotes clearly illustrate that autonomy and independence of former apprentices could lead to both business expansion and motive alteration. The remote causes of this could be freedom of decision-making and the drive for self-actualisation. Although the context is very different, this finding is in accord with Davidsson (1989) who provides empirical evidence suggesting that the need for achievement and increased independence were strong growth motivators among small businesses in Sweden. These are therefore motivators for continuing and for growth, as distinct from an individual's initial drivers for establishing an informal enterprise.

For these four groups, survival-oriented informal entrepreneurship becomes a seedbed out of which income growth and opportunity-driven entrepreneurship emerges. These types of informal

entrepreneurs are credited with making a positive contribution to economic development (e.g. ILO, 2007; UNDP, 2004; Williams, 2006a; Williams et al., 2013a). Hence, it is erroneous to write off the potential of informal entrepreneurs as catalysts for future economic development.

Of those whose initial involvement could be interpreted in income-driven terms, only 1% subsequently shifted to a survivalist rationale, most likely caused by business failure and retardation. According to one respondent, aged 58 and engaged in selling vegetables, his change of rationale was precipitated by dwindling business fortunes instigating a shift from income accumulation to subsistence-driven motives.

‘During my business prosperity I was into many businesses. Most prominent was a grinding machine (‘inning’) operation; that is why I am best known as ‘Mai injin’, which literally means the owner of grinding machines in this town. When things started dwindling I changed to this business to eke out a living’.

The quote illustrates how negative business can result in alteration of motives from higher income and business ownership driven motives to a survival strategy of self and family sustenance, an archetype of economic need-related motivation. It is evident that both negative and positive changes in businesses can lead to alteration in informal entrepreneurs’ motives. The most common change is progression from survival and subsistence-driven to job preference and higher income-driven motives. In rare situations, informal entrepreneurs do encounter retrogressive change in motive consequential to business misfortune and failure. Palmer (2004) provides a supporting argument that informal entrepreneurs move between subsistence and entrepreneurial self-employment over the course of their entrepreneurial activity. Whilst it does not preclude reverse motive transition, i.e. from income growth to subsistence-driven, this was not very common. It is interesting, however, to know that the majority of changes in motives were due to income increments, leading to business growth and expansion, attainment of autonomy and independence for those who had previously been apprentices. The majority 85% of the 47 respondents who experienced change in their motives cited business growth and expansion as the main cause of motives alteration. For 9% this was due to graduation from apprenticeship or a contributing family member to autonomy and economic independence, while for 6% it was due to securing a formal job.

This study therefore suggests that informal entrepreneurs’ motives are not fixed over time but often alter with business growth, expansion and maturity. It also suggests that among informal entrepreneurs’, motive change is often from requirement-based to income growth and accumulation-driven motives. The findings of this survey are thus consistent with studies including those conducted in western economies and post-socialist economies (e.g. Smallbone and Welter, 2001, 2004; Williams et al 2010), which suggest fluidity and change over time in informal entrepreneurs’ motives and that

informal entrepreneurs' motives are dynamic and integrative, multidimensional and temporal, rather than fixed, static and dualistic in nature.

7.4 Analysis of initial, combination and alteration of motives relating to different groups of surveyed informal entrepreneurs

This section considers the empirical evidence on whether informal entrepreneurs' initial motives, combination of (co-presence of dual) motives at one time and alteration of initial motive over time vary across different groups, and if so, in what ways.

As the literature suggests, certain economic and socio-cultural circumstances influence an individual to start up informal entrepreneurship and these can be negative or positive reasons: push or pull, necessity or opportunity. To avoid the criticised imprecise description caused by assigning all entrepreneurs into dichotomous and definitive necessity or opportunity-driven motives, four dimensions (i.e. inheritance/family tradition, unemployment and subsistence, mainly income-driven and mainly job preference) were developed to accommodate the multidimensional nature of the entrepreneurs' motives in the analysis. It is worth noting that grouping was based on the classification used in previous studies (as shown in Table 2.3) since the discrete nature of the data precluded the use of factor analysis (Dawson, Henley and Latreille, 2012; Smith, 2015). This being the case, a priori intuition was used to group reasons reported by the respondents under four factors with reference to and supported by previous studies. The study is not unique in grouping related factors on an a priori and intuitive basis (see Dawson et al., 2012). Detailed description of the composition of each dimension is given below.

7.4.1 Data description, analytical approach and variables for the analysis

Compared to the previous section, eight rather than six explanatory variables were examined. The two extra explanatory variables, added to broaden the analysis, were participants' income and longevity of business. These variables were included because the preliminary findings revealed they play a prominent role in change of motives. Therefore, six new variables were added in this section, two on longevity (i.e. early stage or established) and four on income (i.e. below ₦18,000 national minimum wage in Nigeria, ₦18,000–₦50,000, above ₦50,000 and missing cases). The categories and their reference elements are listed in Table 7.2 below.

Table 7.2: Additional explanatory variables by categories and reference elements

Variables	Description
Established	Dummy variable = 1 if established, 0 otherwise
Below ₦ 18000	Dummy variable = 1 if income is below ₦18000 (ref), 0 otherwise
₦ 18000- ₦ 50000	Dummy variable = 1 if income is ₦ 18000- ₦ 50000, 0 otherwise
Above ₦ 50000	Dummy variable = 1 if income is above ₦ 50000, 0 otherwise
Missing cases	Dummy variable = 1 if income is missing, 0 otherwise

7.4.2 Results of empirical analysis on initial motives, combination and alteration of motives

The results comprise three sets of estimates: multinomial modelling of the main (initial) motive for engaging in the activity and two binomial models, one each for combination and alteration of motives. In exploring the initial motives, the main reasons reported by the participants were again used, while in the analysis of the combination (co-presence) of dual motives at one time, participants' responses on 'any other reasons' were employed. In the case of motive alteration, their responses on whether they experienced a shift in their motives were analysed.

Informal entrepreneurs' initial motives for engaging in informal entrepreneurship: As noted above, the various combinations of reasons given by the respondents were grouped into four categories as shown in Table 7.3 below. This was to avoid grouping on the basis of a necessity and opportunity classification, which has been discredited by a number of scholars (e.g. Vorley and Rodgers, 2014).

Table 7.3: Dimensions of motives and their components

Dimensions		Components
Family tradition	if participant's main reason is	Inheritance/family tradition
Unemployment & subsistence	if participant's main reasons are	Laid off/retrenchment Unemployment Self & family sustenance
Mainly income-driven	if participant's main reasons are	Secondary job Additional income Higher income
Mainly job preference	if participant's main reasons are	Preference to be my own boss Job dissatisfaction Flexibility and independence

These categories are modelled using a multinomial logit model, to explore the drivers for engaging in the activity among different groups based on participants' demographic and enterprise characteristics. The estimates are shown in Table 7.4 below.

Table 7.4: Average marginal effects based on multinomial logit model estimates of demographic and social-economic characteristics of surveyed informal entrepreneurs on the main reasons/motives for participation in informal entrepreneurship

Explanatory variables	(1)	(2)	(3)	(4)
	Family tradition	Unemployment & subsistence	Mainly income-driven	Mainly job preference
Sex:				
Male	0.056* (0.065)	0.029 (0.083)	0.103 (0.081)	-0.076 (0.047)
Age group (RC: 15-30 years old)				
31-40 years	-0.175** (0.079)	-0.001 (0.084)	0.250*** (0.082)	-0.074 (0.056)
41-50 years	-0.161** (0.083)	0.038 (0.087)	0.110 (0.083)	0.012 (0.065)
Over 50 years	-0.187** (0.084)	0.115 (0.099)	0.071 (0.095)	0.002 (0.079)
Educational level (RC: No education)				
Primary/Secondary	-0.087 (0.074)	-0.132 (0.082)	0.072 (0.068)	0.147** (0.058)
College/University	-0.201** (0.081)	-0.319*** (0.105)	0.472*** (0.111)	0.049 (0.064)
Neighbourhood type:				
Affluent	-0.016 (0.062)	0.077 (0.072)	-0.069 (0.066)	0.008 (0.048)
Ownership status:				
Employers	0.018 (0.062)	0.105 (0.105)	-0.129* (0.077)	0.006 (0.049)
Employment status:				
Solely informal	-0.039 (0.099)	-0.144 (0.109)	-0.023 (0.103)	0.207** (0.101)
Years spent in business:				
Early-stage	0.126** (0.049)	-0.052 (-0.080)	-0.194** (0.080)	0.120*** (0.032)
Monthly income (RC: Below ₦18,000):				
₦18,000 - ₦50,000	0.028 (0.062)	-0.159* (0.093)	0.166* (0.092)	-0.035 (0.081)
Above ₦50,000	0.123 (0.098)	-0.366*** (0.109)	0.348*** (0.125)	-0.104 (0.085)
Missing cases	0.136** (0.069)	-0.102 (0.093)	-0.032 (0.088)	-0.002 (0.084)
Constant	-1.302 (1.156)	Base outcome	-0.689 (1.013)	-4.336 (1.834)
Observations	213			
Log likelihood	-205.26			
Likelihood Ratio (LR) χ^2 (39)	137.90			
Prob> χ^2	0.000			
Pseudo R ²	0.251			

Notes: Standard errors in () parentheses below the marginal effects; * significant at 10%; ** significant at 5%;

*** significant at 1%

The model apparently provides a good fit, and is strongly significant ($\chi^2(39) = 137.90$, p-value < 0.001). In terms of the explanatory variables, motivation to start-up informal entrepreneurship due to family tradition is statistically significantly impacted by sex, age of both entrepreneurs and enterprise, education and the missing income dummy variable. With respect to gender, the results of the analysis indicate that men were 6 percentage points more likely than females to be influenced by their traditional occupation in their informal entrepreneurship start-ups. This is not surprising, since traditionally in Hausa culture, emphasis is generally placed on training male rather than female children in family and traditional occupations. Male children are usually considered the successors and inheritors of family occupations. As a consequence, they usually become more inclined to engage in the economic activity of their fathers than their female counterparts. The finding also underscores the role of informal education and training in the acquisition and transmission of informal entrepreneurial skills, especially family trade skills, from generation to generation.

The estimated average marginal effects in respect of age group indicate that all groups were less likely, at 18, 16 and 19 percentage points for age bands of 31-40 years, 41-50 years and over 50 years respectively, to start up informal entrepreneurship due to family tradition than the younger group aged 15-30 years old (reference cell). This means that entry into informal entrepreneurship as a result of one's family tradition would occur more often at a younger age. This finding is not surprising, because in Hausa culture, as in many cultures, succession training for the perpetuation of family business/occupation usually starts at a young age. Parents encourage and even expect their children to learn the family trade during their formative period so that they grow side by side with their traditional occupation. Again, this highlights the link between family traditional occupation and engagement in informal entrepreneurship.

Conversely, middle aged participants (31-40 years), as the estimates indicate, were more prone to start up informal entrepreneurship for income-driven motivations. This can probably be explained by the fact that individuals at this stage are trying to establish themselves by getting a spouse and life income source for a comfortable life.

The results on effects of the entrepreneurs' level of education on their motives for engaging in the activity reveal some interesting outcomes. For example, college/university level educational attainment was significantly related to probability of starting up informal entrepreneurship for all dimensions except mainly job preference. On the other hand, primary/secondary level of education was significant for entry into the sector due to job preference. The estimates show that college/university graduates were also 20 and 32 percentage points more likely to engage in informal entrepreneurial activity on the basis of family tradition and unemployment and subsistence motives respectively. This may be due to their skills and employability compared to the reference category (no

education). Along these lines, the estimates indicate a very strong statistically significant positive marginal effect on college/university graduates' entry into informal entrepreneurship due to income-driven motivations. The coefficient indicates that they were 47 percentage points more likely to be motivated by mainly income-driven motives than those not formally educated.

Also, primary/secondary level of education was statistically significant at 5% relative to those that had no formal education in respect of reporting main job preference motivations, with entrepreneurs in this category being 15 percentage points more likely to cite motives related to job preference than those without formal education. This might be expected, since those participants without formal education had no alternative to working in the formal sector, hence the informal sector seems to be their only option. Meanwhile, college/university graduates were 20 and 32 percentage points respectively less likely to report motives that reflected family tradition and unemployment and 47 percentage points more inclined to cite mainly income-driven motivations compared to those without formal education. The large negative marginal effects among college/university graduates on motives related to unemployment and subsistence are not surprising, since this group stand a better chance of being gainfully employed formally than the reference category. On the other hand, the large size of the marginal effects on the drivers of college/university graduates in respect to income-driven motives could point to the fact that they were engaged in the activity voluntarily rather than as a last resort due to unemployment. The positive and large size of the margins of the coefficient on the mainly income-driven motives is indicative that their engagement was due to the higher incomes in the sector compared to formal jobs.

On the basis of participants' neighbourhood type, no statistically significant impact was identified in the dimensions of motives among either affluent or deprived categories of participants. However, the estimates show a negative statistically significant impact on informal entrepreneurship start up between own-account holders and employers in terms of mainly income-driven motives (albeit only at the 10% significance level). The results indicate that employers were 13 percentage points less likely to start up in formal entrepreneurship, owing mainly to income-driven motives, compared to own account holders. This finding is supported by the literature and not unanticipated because, other things being equal, employers are mostly successful subsistence-oriented entrepreneurs who have transcended own account status.

Turning to solely informal versus straddling formal informal entrepreneurs, the estimates show that solely informal entrepreneurs were 21 percentage points more likely to start up an informal entrepreneurial activity due to job preference motives than their straddling counterparts. This finding is unexpected and the precise explanation for the association is unclear, but one possibility could be related to greater flexibility, freedom and independence, which might trigger a preference for being

one's own boss, which is consistent with the findings of some studies in the literature (e.g. Gerxheni, 2004).

Examining early stage versus established entrepreneurs, the estimates show that all the dimensions but unemployment and subsistence had a statistically significant impact. Early stage entrepreneurs were significantly more likely to start up an informal entrepreneurial endeavour, by 13 percentage points, in comparison to established entrepreneurs due to family tradition (significant at the 5% level). This finding may be connected to the early training of entrepreneurs for family business succession, especially for families that wish to pass their occupational legacy from generation to generation mostly for perpetuation of ancestral occupation or trade.

The estimates further reveal that being an early stage entrepreneur had a highly statistically significant positive impact on job preference as the main motive for starting an informal entrepreneurship. The result indicates that early-stageers were 12 percentage points more likely than established entrepreneurs to engage in the activity owing to job preference. Thus, early stage entrepreneurs were more often motivated to start their entrepreneurial activity due to job preference. Individual occupational choice could be one possible explanation for this outcome. Some people have higher value for autonomy and independence than others as a result they dislike to work under someone's supervision.

Also, younger participants were found to be 19 percentage points less likely to report mainly income-driven motives for starting up an informal enterprise; established participants in the sector may have been driven more driven by income-related motives. As noted earlier, at times survival instinct and the absence of an alternative source of income trigger the start-up of informal entrepreneurship for self-sustenance. As a result, early stage entrepreneurs may constitute the majority of entrepreneurs motivated to start informal entrepreneurial activity for subsistence reasons. This probably explains the lower likelihood among early stage entrepreneurs of start-ups for mainly income-driven motives as opposed to their established counterparts, and is consistent with earlier studies (e.g. Portes et al., 1986, 1989; Portes and Schauffler, 1993).

Two categories of income level were statistically significantly associated with unemployment and subsistence and mainly income-driven motives for engaging in informal entrepreneurship in comparison with the reference category (i.e. below the national minimum wage threshold). The results reveal that middle income entrepreneurs were 16 percentage points less likely to start up informal entrepreneurship as a result of unemployment and subsistence compared to the lower income category at 10% level of significance. On the other hand, they were 17 percentage points more likely to engage in the activity due to mainly income-driven motives at 10% level. These are indications that they were more susceptible to being triggered by income-driven motivations than subsistence-related motives.

The higher income group among the entrepreneurs were 37 percentage points less likely than those in the lower income group to have begun their informal venture for reasons related to unemployment and subsistence with a very strong negative statistically significant marginal effect, at 1%. Regarding mainly income-driven motives for start-up, entrepreneurs in the higher income category (relative to the lower income) were 35 percentage points more likely to have been triggered to partake in the activity on the basis of income driven motivations. This shows that the higher income group view engagement in informal entrepreneurial activity as a way to increase income for a better standard of living and greater social class mobility, in contrast to the lower income category. Again, this finding is consistent with the dominant and well established view expressed in the literature (e.g. Portes et al., 1986; Biles, 2009; Temkin, 2009).

Combination (co-presence of dual motives) for engaging in informal entrepreneurship: As established in the previous section, some 64% of the surveyed informal entrepreneurs had more than one reason underpinning their decision to engage in informal entrepreneurship. This section reports the results of logit analysis performed to explore any possible association of the co-presence of dual motives for engaging in informal entrepreneurship with participants' demographic and enterprise (economic) characteristics. The estimated average marginal effects are shown in Table 7.5 below.

As a binary response variable, a standard logit model was estimated. The model is acceptable statistically (likelihood ratio $\chi^2(13) = 23.06$, p-value $< .05$), although the pseudo- R^2 is relatively low at 0.08. The estimates show two categories of age group ownership and employment status, and middle and missing cases of income categories) had statistically significant associations with participants' secondary motives for the start-up of an informal entrepreneurship.

By age group, the results show significant positive marginal effects for the age bands 41-50 years and over 50 years, at 10% and 5% respectively. Hence, being 41-50 years old increased the odds of having dual motives, at 17 percentage points, while for participants above 50 years old the figure was 23 percentage points. This means that older entrepreneurs were more likely to combine motives than the younger group (reference category) aged 15-30 years.

With regard to ownership status, the results indicate that being an employer increases the probability of co-presence of dual motives, at 18 percentage points compared with own account holders. The association is statistically significant at 5% level. The result confirms earlier studies (e.g. Williams et al., 2009; Williams and Youssef, 2013).

Examining employment status (solely and formal-informal straddling entrepreneurs) and co-presence of dual motives for starting up informal entrepreneurship, the results indicate that solely informal entrepreneurs were 19 percentage points more likely to have combination of two motives, at a 10% level of significance, than the formal-informal straddling entrepreneurs. A possible explanation for this

is that the majority of solely informal entrepreneurs might have been motivated to start up informal business activity due to unemployment and subsistence or family tradition.

Table 7.5: Average marginal effects based on multinomial logit model estimates of demographic and social-economic characteristics of surveyed informal entrepreneurs on combination and alteration of motives for participation in informal entrepreneurship

Explanatory variables	(1) Combination of motives	(2) Alteration of motives
Sex:		
Male	-0.046 (0.087)	0.071* (0.068)
Age group (RC: 15-30 years old)		
31-40 years	0.105 (0.099)	0.034 (0.076)
41-50 years	0.170* (0.097)	-0.026 (0.082)
Over 50 years	0.226** (0.104)	0.088 (0.097)
Educational level (RC: No education)		
Primary/Secondary	0.012 (0.078)	-0.029 (0.057)
College/University	0.014 (0.118)	-0.209** (0.101)
Neighbourhood type:		
Affluent	-0.088 (0.073)	0.036 (0.061)
Ownership status:		
Employers	0.175** (0.087)	0.177** (0.075)
Employment status:		
Solely informal	0.185* (0.106)	0.172*** (0.066)
Years spent in business		
Earl-stage	-0.049 (0.088)	-0.108* (-0.065)
Monthly income (RC: Below ₦ 18,000):		
₦ 18,000 ₦ 50,000	0.156* (0.087)	0.159** (0.077)
Above ₦ 50,000	-0.195 (0.120)	0.284*** (0.108)
Missing cases	0.201** (0.086)	0.075 (0.071)
Constant	-0.493 (0.765)	-2.486 (1.167)
Observations	213	213
Log likelihood	-128.39	-91.07
Likelihood Ratio (LR) χ^2 (13)	23.06	40.12
Prob> χ^2	0.0410	0.000
Pseudo R ²	0.0824	0.1805

Notes: Standard errors in () parentheses below the marginal effects; * significant at 10%; ** significant at 5%;

*** significant at 1%

In addition, this study explored the key aspect of whether these informal entrepreneurs were homogenous or different in terms of other motives which influenced their engagement in the activity, based on their income levels. The estimated marginal effects show a statistically significant positive impact, at 10%, on the middle income category, when compared with the lower income level (reference category). The middle income group, all things being equal, were significantly more likely to combine two motives at a time, 16 percentage points more than the lower income category.

The possible explanation for having dual motives for engaging in the activity is a reaction of two drivers simultaneously which could be related to a combination of two of these motivating factors (i.e. making a living, making a profit (see Swindell et al., 1999; Bewayo, 1995, 1999), following ancestral occupation, job preference or self-actualisation. However, a precise explanation on differences between groups of participants is unclear.

Alteration in informal entrepreneurs' initial motives over time: Pursuant to the study's analysis of co-presence of motives for engaging in informal entrepreneurship, it was essential to examine alterations in the informal entrepreneurs' motives over time. Descriptive analysis indicated that close to a quarter of the respondents (22%) reported that their motives had altered over time. The majority (85%) of these changes were as a result of changes in income levels deriving from profit generated from their operations, which was equally the main causal factor for their business growth and expansion. Therefore, profit is a potent factor in examining motive alteration over time.

In the previous section, it was demonstrated that motives often change from family tradition and unemployment and subsistence to mainly income and job preference-driven; while transition from mainly income and job preference to subsistence-driven entrepreneurship was not ruled out, this was rare. This section explores whether motive changes varied by socio-demographic and enterprise-level characteristics among the informal entrepreneurs surveyed.

As the change measure used is dichotomous, a binomial logit model was estimated using the predictor variables, as previously. The model, as shown in column (2) of Table 7.5, has a moderate fit at 0.18, pseudo- R^2 value. The overall significance of the regression is very strongly supported as indicated by the models' statistics (likelihood ratio χ^2 (13) = 40.12, p-value < .001), shown in Table 7.5 above.

Considering the estimates provided by the model against male entrepreneurs in comparison to female entrepreneurs, men were 7 percentage points more likely than women to alter their initial motives over time (p-value < .10). This finding corroborates similar earlier studies, which suggest that women are more risk-averse than men (see Shahid, 2013) and hence are less likely to alter their motives over time. Gender-based differences between men and women in interpersonal orientations have been ascribed as a causal factor of differences in their entrepreneurial achievements and venture

performance outcomes by the advocates of dispositional perspectives (Carter et al., 1997 see also Arasti et al., 2012a, 2012b; Morris et al., 2006; Valencia and Lamolla, 2005). For example, Valencia and Lamolla (2005) found that women-owned enterprises grew more slowly than those owned by men because of women's risk averse growth strategies. Similarly, Goedhuys and Slauwaegen (2000), in Cote d'Ivoire, discovered that female-owned informal firms tended to have slower rates of growth which the authors ascribed to restricted access to inputs and resources.

Compared to own account holders, employers were 18 percentage points more likely to have had a shift of motives ($p\text{-value} < .05$). This finding corroborates those of many earlier studies (e.g. Smallbone and Welter, 2001, 2004; Williams and Round, 2009) in the literature: a shift in the motives of informal entrepreneurs is inherent, as a result of venture growth and expansion. However, a change of motives is more common amongst the successful historical legacy and subsistence-driven entrepreneurs who rise from own account to employer status. This applies more particularly to those whose engagement in the sphere is a stepping stone to test the viability of their venture or to acquire the necessary capital for setting up a more lucrative venture (see Oluranti, 2011). A number of previous studies (e.g. Williams, 2008; Williams et al., 2009) suggest that alteration of motive is more often from mainly subsistence- to mainly growth-driven entrepreneurship as a result of the enterprise development stage and life cycle of a business. Everything being equal, business is expected to change with the experience of the owner because experience offers development of entrepreneurial skills and attitudes (Bhola et al., 2006). Therefore, business expansion, increased profit levels and enhanced business skills can be the causal factors for the alterations of motives of the participants.

Examining solely informal entrepreneurs, a very strong statistically significant effect, at the 1% level, is found on the likelihood of alteration in their initial motive for participation in the activity relative to straddling informal entrepreneurs. The former were 17 percentage points more likely to have altered their initial motives than their straddling counterparts. As previously explained, the majority of the straddling formal-informal entrepreneurs had already developed a particular mind set before starting up the activity. In part, due to their engagement in formal work, they might have already set a determinable objective for their engagement and therefore joined the sector to effectuate it.

The results of the estimates of the entrepreneurs' level of education on alteration of motives reveal some interesting outcomes in respect of college and university graduates. The estimates show significant negative marginal effects against college/university graduates (21 percentage points, $p\text{-value} < .05$) relative to those with no formal education). Two possibilities exist to explain this phenomenon. Firstly, it may be that the majority of the participants were already employed formally, and as such their participation was either mainly income-driven or a job preference in the form of desire for business ownership or autonomy and independence. Alteration of motives among these

types of participants, as earlier studies suggest, is rare (see Williams, 2008; Williams et al., 2009). Secondly, it might be that they had already reached a stage of their business development requiring consolidation.

With respect to time spent in the business, the estimates also indicate a negative statistically significant impact ($p\text{-value} < .10$). Hence, being an early-stage entrepreneur decreased the probability of motive alteration by 11 percentage points relative to their established counterparts. This finding is entirely as would be expected a priori, and is consistent with that of a study of informal entrepreneurs' motives in England, Russia and Ukraine (Williams, 2008), which revealed that transition of motive often occurs as the business matures. One might expect that early-stage entrepreneurs would have difficulties setting up their new venture, hence their attention would probably be on decisions for ensuring their venture's survival; change of motivation will often result from venture sustainability. Again, this is consistent with the findings of earlier studies. This enterprise lifecycle and business development explanation is possibly reinforced by participants gaining experience and expertise over time.

On the basis of participants' income levels, both middle and higher income levels relative to the lower level were more likely to alter their motives, at 16 and 28 percentage points respectively. The results are statistically significant, with a $p\text{-value} < .05$ for the former and $p\text{-value} < .001$ for the latter. This shows that motive alteration was more common among the upper income groups than the lower category. This could be attributed to their success in their business. Inductive evidence in this respect has been presented in Section 7.3.

7.5 Chapter summary

The chapter has evaluated the motives of informal entrepreneurs arguing that informal entrepreneurs' motives are multidimensional and temporal in nature and therefore extend beyond simplistic dichotomous and definitive presentations of necessity and opportunity-driven motives. Empirical evidence has substantiated the former, with 64% of the respondents reporting multiple motives, with both subsistence and income growth-driven motives co-existing. Also, motives were fluid in nature, with some 22% of respondents reporting alterations in motives over time. In the context of Zamfara, this study therefore upholds the claim of the fourth school of thought on informal entrepreneurs' motives, which asserts the multidimensional and temporal view of motives for participation in informal entrepreneurship as opposed to a static presentation of opportunity and necessity-driven motives.

With regard to variations in the motives of surveyed entrepreneurs, the analysis indicated significant differences among motivations cited by certain groups of participants based on their demographic and enterprise characteristics. On demographic characteristics, for example, on gender, men were more likely to engage due to family tradition than women and concerning participants' educational level,

college/university graduates were less likely to engage as a result of family tradition and unemployment or subsistence-driven motives, but they were found to be more prone to start-up for mainly income-driven motives. Turning to economic/enterprise characteristics, employers, for example, were less likely relative to own account holders to have been motivated by mainly income-driven at the start of the informal entrepreneurial activity. On the basis of income, the analysis suggests that both middle and higher income categories were less likely to be motivated by subsistence-driven motives than by mainly income-driven ones (such as higher income, expectation to make money and additional income).

The analysis performed on combination of motives for engaging in the activity revealed that older entrepreneurs (41-50 and over 50 years), employers, solely informal entrepreneurs and those in the middle income category were more inclined to have dual motives for their start-ups compared to their respective base categories. On the alteration of initial motives; men, employers, solely informal entrepreneurs, middle income and higher income groups were more likely to alter their initial motives than women, own account holders, lower and middle income groups, and straddling formal-informal entrepreneurs, respectively.

The analysis has hence provided empirical evidence substantiating that individuals' motives toward informal entrepreneurship are highly multidimensional and temporal to an extent, with considerable diversity and heterogeneity within different groups of participants. Overall, the evidence gathered from the analyses indicates that different groups of informal entrepreneurs surveyed had differing reasons and motives for starting up informal entrepreneurship, whilst some groups exhibited similar motives.

CHAPTER EIGHT: BUSINESS ENVIRONMENT, CONSTRAINTS AND CHALLENGES

Introduction

This chapter examines the operating environment of informal entrepreneurs, their relationship with the state, and perceptions of measures, approaches and policies that could improve their operating conditions and encourage their voluntary and gradual formalisation. The chapter discusses barriers to formalisation and policies that might weaken these barriers and facilitate voluntary formalisation of business undertakings.

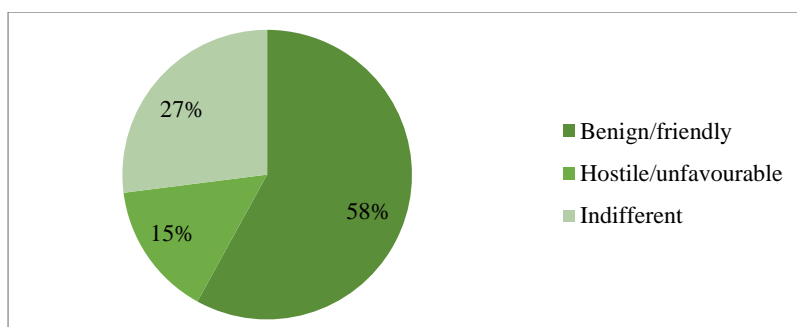
8.1 Business environment and relationship with the state

In this sub-section, issues relating to the nature of the relationship between informal entrepreneurs and the government regulatory agencies, factors responsible for survey participants engaging in informal instead of formal entrepreneurship and informal enterprise registration, licensing and permits are analysed.

8.1.1 Nature of the relationship between informal entrepreneurs and regulatory agencies

As regards the nature of the relationship between informal entrepreneurs and regulatory agencies, the entrepreneurs were asked whether their relationship was benign or hostile. Figure 8.1 depicts the result.

Figure 8.1: Nature of relationship between informal entrepreneurs and regulatory agencies



Source: Field survey, 2012 .Number of observations 215

Interestingly, almost three-fifths of the respondents declared that their relationship with regulatory agencies was benign and friendly. The remaining two-fifths were split between those who were indifferent and those who stated that their relationship was unfavourable. This implies that the majority of the informal entrepreneurs had a favourable relationship with the authorities. Respondents were also asked if they had to make payments to any regulatory agencies to operate. Here, a more interesting result was revealed: 96% did not do so. An in-depth discussion with the handful who

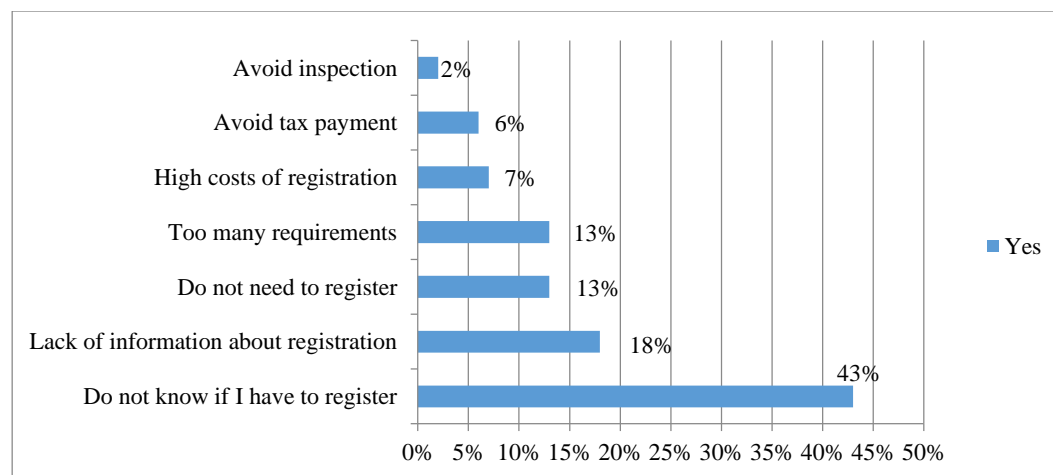
usually made payments to operate disclosed that such payments were collected by their unions; for example, the motorcycle riders' association collected fees from motorcycle riders on a daily basis and the National Union of Road Transport Workers (NURTW) from motor vehicle drivers on every trip.

To further explore the above, the respondents were asked whether they had experienced problems with the regulatory institutions in carrying out their business activities. Their responses provide more evidence to substantiate the existence of a cordial relationship between informal entrepreneurs and regulatory institutions in conducting their business activities in Zamfara state. Amongst the surveyed informal entrepreneurs, only 6% had encountered problems with the police, 4% each with customs and with others, 3% with local officials, 2% with tax officials, and none with consumer protection agencies (NAFDAC/SON). In all cases, the proportion of informal entrepreneurs who had encountered problems was below 10%.

8.1.2 Informal enterprises' registration with authority

Contributors to the literature on informal entrepreneurship have identified enterprise registration as an important factor that distinguishes informal from formal enterprises (Heintz, 2012; Lagos, 1995; Mead and Morrison, 1996). Hence, registered enterprises were excluded from the survey during the selection process. Survey respondents were asked about their main reason for not registering their venture(s). Figure 8.2 illustrates the results.

Figure 8.2: Main reason for not registering an enterprise



Source: Field survey, 2012. Number of observations 215

The results show that around three-fifths of the informal entrepreneurs in the study area lacked information about or were unaware of the need to register their enterprises. Therefore, the lack of awareness of the need to register explains why many entrepreneurs start informally and remain informal in Zamfara. However, around one-fifth of the entrepreneurs indicated that they would

formalise their enterprises if the costs and requirements of business registration were reduced. The remaining one-fifth indicated that rational persuasion might convince them to formalise.

When asked if they had a licence or permit to operate, a clear majority (59%) of survey participants responded in the negative, with just 27% of the sample in fact possessing a licence or permit. Fourteen percent refused to respond to the question. Of the 56 licenced operators, a majority (52%) were licensed by professional bodies, followed by the state government (34%), the local government (9%), and NAFDAC (5%).

8.1.3 Voluntary formalisation of informal enterprises

The literature suggests four main defining attributes/characteristics of an informal firm transition to the formal sector. These consist of official registration with the authorities by way of obtaining licences or permits to operate, payment of taxes, legal labour practices and compliance to regulations regarding quality assurance, standards and dealing in legitimate goods and/or services (Heintz, 2012; Lagos, 1995; Mead and Morrison, 1996). Nelson and Bruijn (2005) argued that formalisation can be on a full or semi-formal basis. This means that informal enterprises can formalise by fully or partially complying with the dictates of the state in respect of their operations. Voluntary formalisation on the other hand can be described as willing compliance with state regulatory provisions governing business operations without coercion by government enforcement agencies (see Nelson and Bruijn, 2005).

To establish whether the informal entrepreneurs were willing to formalise voluntarily, the survey respondents were asked if they would like to formalise. As shown in Table 8.1. More than half (53%) of the respondents expressed their willingness to formalise their business. The same proportion believed that formalisation would be beneficial. One-third did not know whether there would be any benefits.

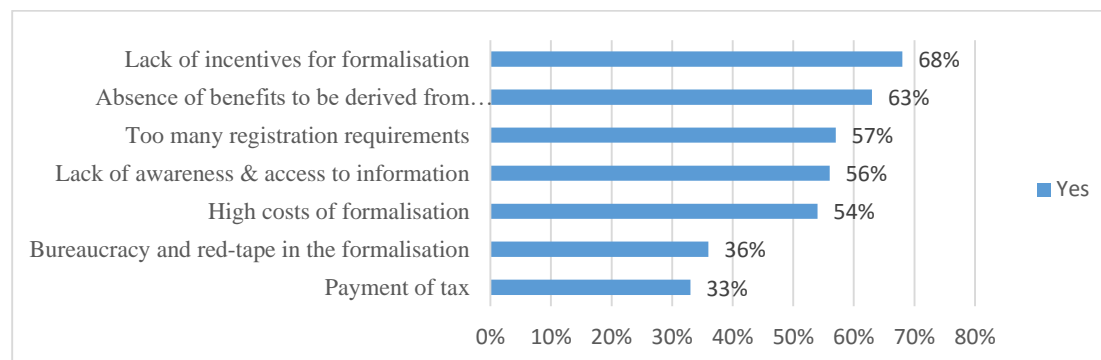
Table 8.1: Distribution of informal enterprise owners by desire to formalise business activity and benefits of formalisation

	Freq.	%
<i>Would you like to formalise your business activity? (n=202)</i>		
Yes	106	53
No	79	39
Indifferent	17	8
Total	202	100
<i>Are there benefits for formalisation of business activity? (n=213)</i>		
Yes	113	53
No	29	14
Do not know	71	33
Total	213	100

Source: Field Survey, 2012

It appears, therefore, that many informal entrepreneurs were willing to formalise their businesses but that they were deterred by factors such as a lack of information about business registration. In order to pinpoint potential barriers to formalisation and their relative importance, entrepreneurs were presented with seven potential obstacles and asked to indicate which they believed to be relevant to their situation. Figure 8.3 illustrates the distribution of their responses.

Figure 8.3: Factors that deter formalisation of informal enterprises

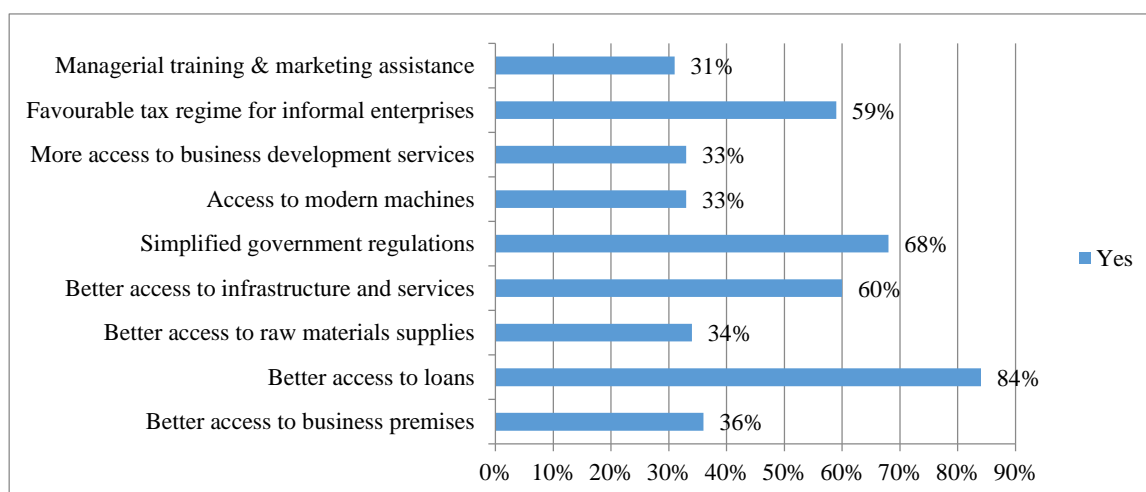


Source: Field survey, 2012. Number of observations 215

Approximately two-thirds of the entrepreneurs mentioned a lack of incentives to formalise and a lack of perceived benefits associated with formalisation. More than half cited registration requirements, lack of awareness and access to information about business registration, and high costs of formalisation. A little over one-third regarded bureaucracy and red tape as problematic. A similar proportion viewed tax payments as a deterrent. These pattern of findings corroborate those of many previous studies in Nigeria and other developing countries (e.g. Abumere et al., 1998; Simon, 1998 on Nigeria and Cling et al., 2009 on Vietnam). Simon's (1998) study of Kaduna found that over half of the respondents were unaware of business registration requirement, while Abumere et al. (1998) highlighted the problems of bureaucratic bottlenecks and a lack of awareness of requirements and procedures to accomplish business registration. These authors concluded (p. 87) that 'Bureaucratic and other obstacles in the business registration process have not helped matters. It therefore pays handsomely, both in time and money, to stay outside registration'. Cling et al. (2009), in Vietnam, found that many informal entrepreneurs were unaware of the need to register their business activities and some did not see it as necessary.

In search of solutions and remedial actions to improve the situation, survey respondents were presented with a list of areas of assistance to facilitate their formalisation; their replies are indicated in Figure 8.4.

Figure 8.4: Areas of assistance to facilitate formalisation of informal enterprises



Source: Field survey, 2012. Number of observations 215

As is evident in the above Figure, more than half of the respondents identified simpler government regulations, better access to infrastructure and services and a favourable tax regime as factors that might facilitate formalisation. The most commonly indicated form of assistance, however, was better access to loans. A follow-up question asked the respondents to choose the most important assistance from the list provided. Here again, more than two-thirds expressed the view that better access to loans was the most important form of assistance for facilitating their voluntary formalisation.

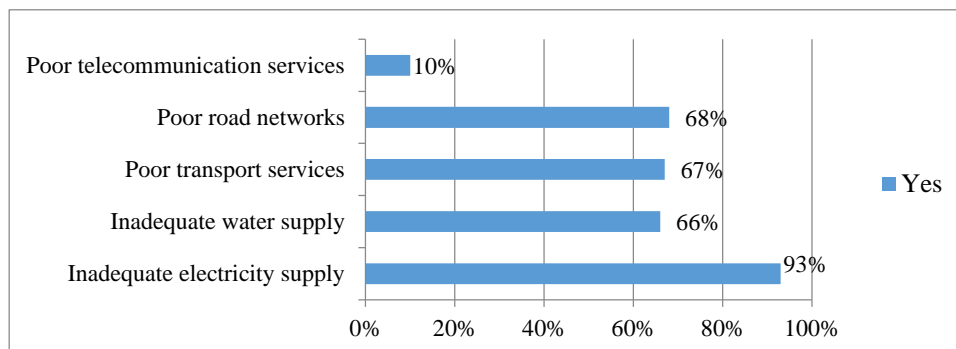
8.2 Infrastructure & Support Services

The analysis now turns to infrastructure and support services and their potential role in supporting voluntary formalisation. Functional infrastructure and availability of business support services have been broadly recognised as amongst the prime factors fostering entrepreneurship and business development (World Bank, Doing Business Report, 2013). Hence, provision of effective and efficient infrastructural facilities and business support systems are prerequisites for rapid enterprise and entrepreneurship development in any economy that aims at fostering entrepreneurship and enterprise development.

8.2.1 Infrastructural services

Electricity, roads, water, telecommunication, transport, business premises are among the most important infrastructural services and utilities for businesses. In order to explore the availability and adequacy of these services, respondents were asked if they had experienced any difficulties in relation to infrastructure. The results are presented in Figure 8.5.

Figure 8.5: Problems pertaining to infrastructural facilities



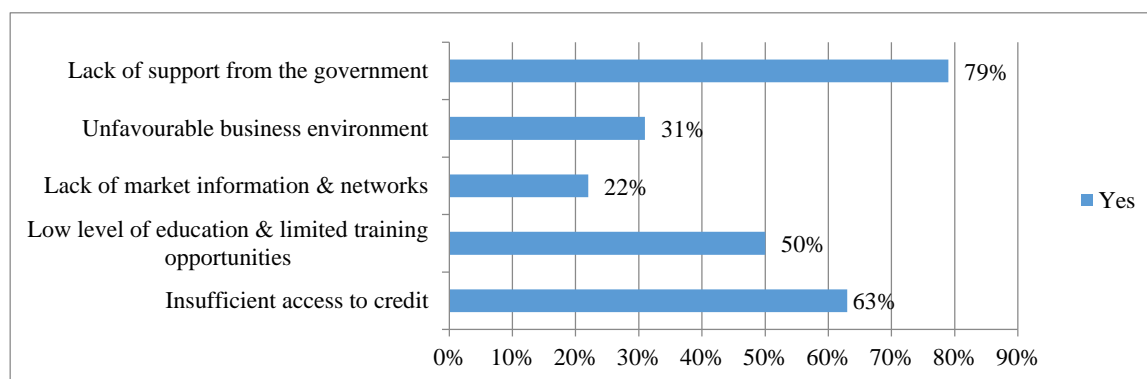
Source: Field survey, 2012. Number of observations 215

An inadequate supply of electricity was the most serious infrastructure related problem, faced by an overwhelming majority of the sample. Other factors that were identified by more than two-thirds of the respondents were poor road networks, poor public transport and an inadequate water supply. However, the respondents did not find telecommunications to be problematic. This finding is consistent with several previous surveys (e.g. Abumere et al., 1998; CBN/FOS/NISER, 2001; NOI Polls, 2013; Oduh et al., 2008; Onyebueke, 2013; SMEDAN/NBS, 2012). For example, Abumere et al. (1998, p. 90) observed that a ‘lack of basic infrastructures such as electric power, water and roads have for long crippled many businesses in Nigeria, including small-scale enterprises’.

8.2.2. Business support services

With regard to support services, requirements for businesses to thrive include sufficient access to credit, business development services, access to information, managerial training and marketing assistance and provision of grants, loans and other incentives for business start-ups (ADB 2011; Becker 2004). Accordingly, entrepreneurs were asked about the presence and availability of the aforementioned services. Their replies are reported in Figure 8.6 below.

Figure 8.6: Impediments and obstacles faced by informal entrepreneurs



Source: Field survey, 2012. Number of observations 215

It is clear from these findings that in Zamfara State a considerable percentage of entrepreneurs operating in the informal sector had limited access to credit and training opportunities, and, in addition, a lack of support from the government. Numerous studies (e.g. Lyon and Porter, 2009; Malik et al., 2006; NOI Polls, 2013; Seibel, 1996c; USAID, 2006) have pointed out these problems as limiting factors for Nigerian businesses. For example, a longitudinal study by Business Leaders' Perception Survey (BLPS) conducted by NOI Polls (2013) in conjunction with the DFID Nigeria programme [Enhancing Nigerian Advocacy for a Better Business Environment (ENABLE)] found that the most serious constraining factors affecting Nigerian businesses are power, security, corruption and access to finance. Other factors identified by the studies include roads, water, multiple taxation and smuggling.

Further investigation of access to finance, awareness of loan facilities and obtaining grants from the government reveals that 87% of the sample identified these as obstacles for their businesses, despite the fact that a considerable percentage (62%) were quite aware of loan facilities offered by the banks and micro-finance institutions (MFIs). With reference to obtaining government grants, only 5% of the sample had ever obtained a grant for business start-up or improvement. Of the ten respondents who stated that they had accessed government grants, eight obtained them from the state government. Only one had sourced a loan from the federal government and one from other sources. This reveals that some institutions are more accessible to informal entrepreneurs than others (Skinner, 2005).

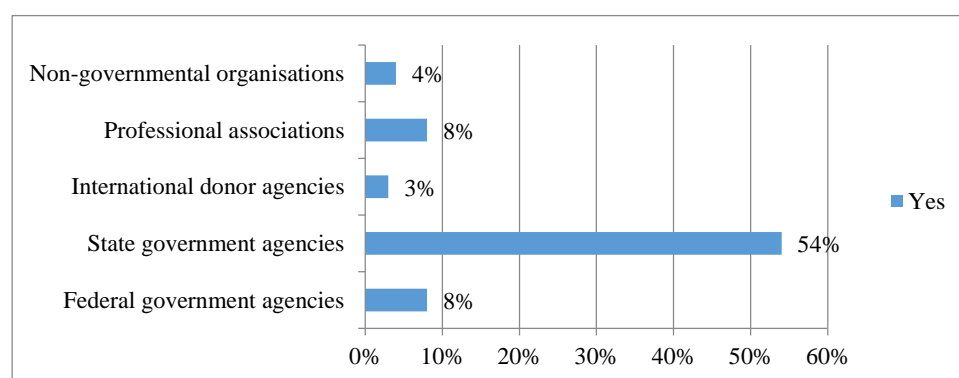
Table 8.2: Informal enterprises' access to finance, and awareness of loan facilities and grants from government

	Freq.	%
<i>Access to finance and loan capital as an obstacle to business (n=213)</i>		
Yes	185	87
No	27	13
Total	100	100
<i>Awareness of loan facilities offered by banks & micro-finance institutions (n=213)</i>		
Yes	132	62
No	81	38
Total	213	100
<i>Obtaining grants from government for starting or improving business (n=210)</i>		
Yes	10	5
No	200	95
Total	210	100
<i>Government from which the loan is obtained for starting or improving business (n=10)</i>		
Federal government agency	1	10
State government agency	8	80
Others	1	10
Total	10	100

Source: Field Survey, 2012.

In short, very few entrepreneurs (8%) knew about federal government agencies that provided assistance to small businesses (see Figure 8.7).

Figure 8.7: Awareness of support agencies by informal entrepreneurs



Source: Field survey, 2012. Number of observations 215

An examination of benefits received from government programmes also revealed modest scores among respondents: only 9% of the respondents had benefitted from at least one of the government programmes for improving or formalising their business undertakings.

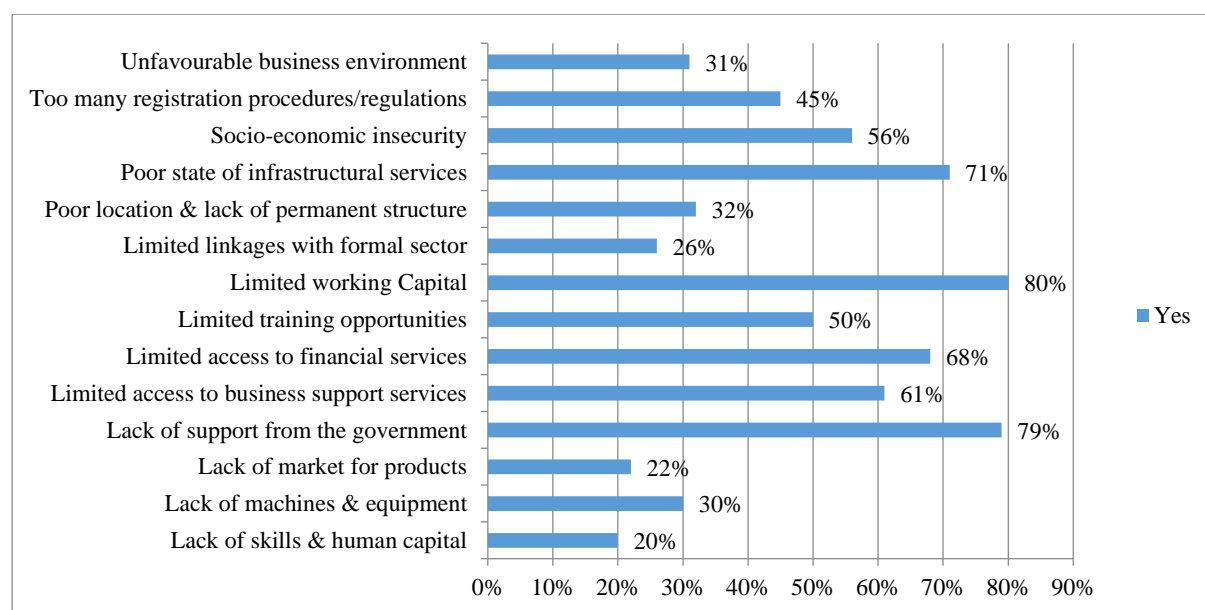
To summarise, inadequate electricity supply stands out as the biggest problem militating against the growth and sustainability of informal enterprises for possible transition to the formal sector. This, in addition to other problems, such as poor roads, transport and water supply, therefore discouraged operators from formalising. Hence, formalisation might not change their situation or reduce the problems limiting their business progress.

In support services too, there was evidence suggesting very low levels of government support, particularly limited access to financial and government support services, as well as limited training opportunities and capacity building available for informal entrepreneurs as opposed to the formal ones. It is important to note that these problems constitute challenges and constraints faced by informal entrepreneurs in Nigeria, and in Zamfara state more specifically.

8.3 Constraints and challenges faced by informal entrepreneurs

To further identify the constraints and challenges faced by informal entrepreneurs, respondents were asked to choose from a list of potential obstacles. Figure 8.8 below presents the results.

Figure 8.8: Constraints and challenges for informal entrepreneurs



Source: Field survey, 2012. Number of observations 215

As shown, more than 70% suffered from inadequate working capital, lack of support from government and the poor state of infrastructure and public services. Two-thirds were constrained by limited access to financial services and limited access to business support and development services respectively. However, Abumere et al. (1998) have claimed that most of these problems can be reduced if informal enterprises become formal. An interesting question is what measures and approaches are deemed

appropriate to facilitate the voluntary and gradual formalisation of informal entrepreneurs, which might help them to access finance (credit) from banks and other financial institutions, acquire land rights and secure contracts from the government and formal enterprises, thereby improving their linkages (see Abumere et al., 1998).

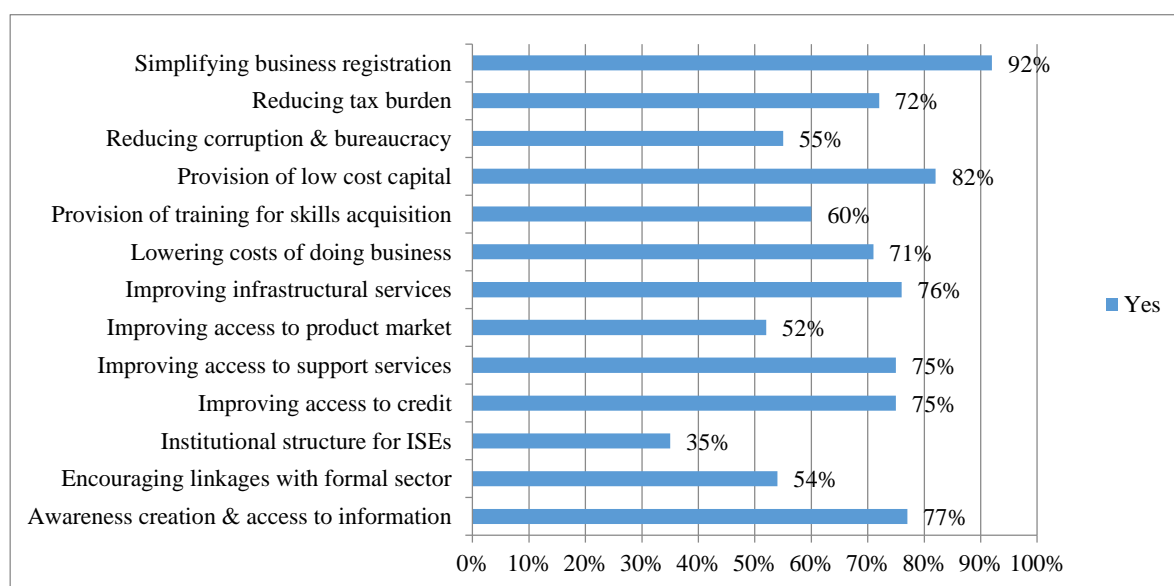
The findings of this study echo the reports of many studies in Nigeria (e.g. Aganga, 2012; CBN/FOS/NISER 2001; Lyon and Parker, 2009; Malik et al., 2006; NOI Polls, 2013; Seibel, 1996c; SMEDAN/NBS 2012; USAID 2006). For example, SMEDAN/NBS (2012) found that limited access to finance, weak infrastructure, inconsistency of government policies, lack of work space, multiple taxation and obsolete technology were the major challenges faced by informal (micro) enterprises in Nigeria. The seriousness of these problems is confirmed by the statement of the Nigerian Minister of Trade and Investment, Olusegun Aganga, that the performance of Nigerian businesses in general compared to other developing economies is poor, due to structural impediments such as weak infrastructure, lack of skilled manpower, an unreliable and grossly inadequate power supply, multiple tax regimes and the high cost of doing business as a result of cumbersome land acquisition procedures and bureaucratic bottlenecks, amongst others (Aganga, 2012, p. 15). Hence, credence is given to the findings that informal entrepreneurs in Zamfara, Nigeria, are faced with multiple problems and constraints that limit their operational and productive capacity.

8.4 Policy measures to improve the operating conditions and facilitate the voluntary formalisation of informal entrepreneurs

Many researchers have assumed that the formalisation of informal businesses serves to alleviate the problems that beset them (e.g. Abumere et al., 1998; Chen, 2012; Ishengoma and Kappel, 2006; Ouma, 2010; Simon and Birch, 1992; van Rooyen and Antonites 2007). Formalisation supposedly offers advantages and benefits such as enhanced income opportunities; improved access to loan facilities from formal financial institutions as operators become more organised; improved opportunities to secure government contracts and obtain large orders; more access to training opportunities and business development and support services; increased acquisition of legal titles and property rights; and adherence to required environmental and occupational safety and health standards (see Abumere et al., 1998; de Mel et al., 2013; Fajnzylber, 2007; Omuta, 1986; Simon and Birch, 1992). Moreover, informal entrepreneurs could apply their ingenuity in using these benefits to improve their productivity and incomes, vis-a-vis their quality of life and personal safety. The government could also benefit from an increased revenue base with which to finance public services for citizens (de Mel et al., 2013; Loayza, 1996; Omuta, 1986). It is therefore important to examine policy measures that might facilitate voluntary formalisation of entrepreneurs (e.g. Abumere et al., 1998).

The entrepreneurs surveyed for this study were presented with a list of potential policy measures and asked to indicate which of them might improve their conditions and encourage their voluntary formalisation. The results are shown in Figure 8.9. As indicated, more than 80% of respondents said simplifying business registration and provision of incentives and benefits for formalisation would induce many informal entrepreneurs to formalise. Three-quarters responded positively to awareness creation and access to information; improving the functionality of infrastructural services; improving access to business support services and credit; reducing the tax burden; and lowering the costs of doing business would encourage them to transit to the formal sector, while nearly two-thirds asserted that the provision of training for skills acquisition would encourage them to do so. Lower percentages, but still more than half of the respondents were of the opinion that reducing corruption and bureaucracy, encouraging formal/informal forward linkages and improving access to product markets would accelerate the formalisation of their enterprises. A third believed that the establishment of institutional structures for the informal sector would help formalisation.

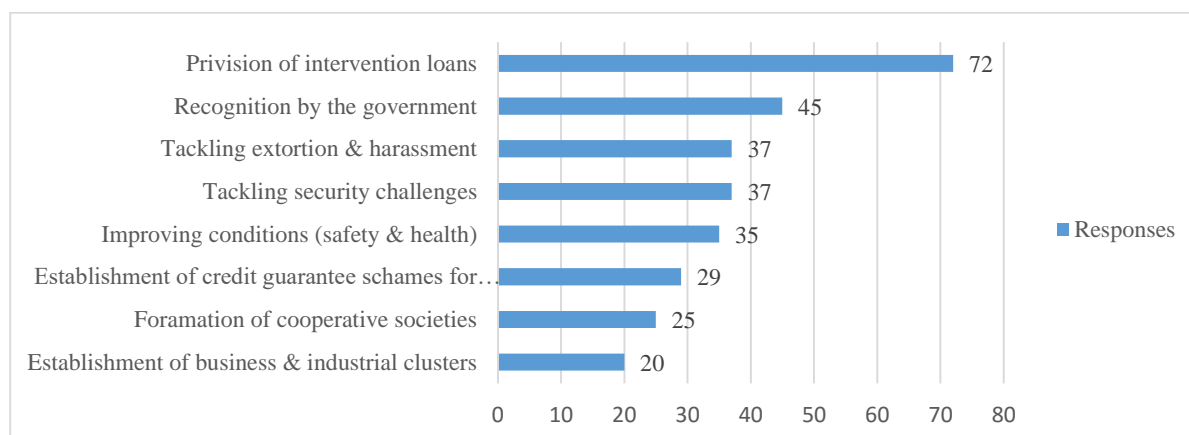
Figure 8.9: Policy measures to address challenges and improve conditions of entrepreneurs



Source: Field survey, 2012. Number of observations 215

In response to an open-ended follow-up question ('In addition to the above listed policy measures, could you suggest any other measures that you think could help to improve the conditions and facilitate the formalisation of informal entrepreneurs?'), eight additional policy measures were identified from consistently recurring themes in their responses, as summarised in Figure 8.10 below.

Figure 8.10: Additional policy measures to improve conditions and facilitate voluntary formalisation of informal sector enterprises



Source: Field survey, 2012. Number of observations 89

Eighty-nine entrepreneurs made policy suggestions. Some 72 mentioned intervention loans as seed capital; 45 cited change in government attitudes and recognition in the awarding of contracts to informal enterprises, 37 mentioned tackling extortion and harassment, and a further 37 suggested tackling security challenges to life and property.

According to the results, policy measures such as simplifying and lowering requirements for business registration; provision of incentives; benefits and intervention loans; training for skills acquisition and empowerment; creation of awareness and improving access to information; and business development services were identified as potential measures that could bring positive change in Zamfara state with regard to improving the conditions and facilitating the voluntary formalisation of informal entrepreneurs. Other measures that were suggested included access to credit and financial services, efficient and effective provision of infrastructural services and improving the functionality of public institutions. Further policies that could encourage and stimulate informal entrepreneurs to formalise their business undertakings, as articulated by the surveyed informal entrepreneurs comprised reducing the tax burden and lowering the costs of doing business, amongst others.

These findings corroborate a number of previous studies in Nigeria (see Abumere et al., 1998) and in Africa (see Ishengoma and Kappel, 2006 on Tanzania, Ouma 2010 for Kenya; Simon and Birch, 1992 and van Rooyen and Antonites, 2007 on South Africa). In a similar manner, Abumere et al. (1998) suggest making business registration easier and more accessible and raising awareness and educational levels among those involved in the sector, amongst others. Ishengoma and Kappel (2006), drawing from a review, highlighted the formation of a regulatory framework, improving access to productive resources and market for products, and the promotion of informal/formal sector forward and multilateral linkages.

8.5 Chapter summary

This chapter addressed four issues that are directly linked to government policy responses on informal entrepreneurship, each of which has an impact on the conditions and support for the voluntary formalisation of informal entrepreneurs. The chapter started with an examination of the business operating environment, the relationship between informal entrepreneurs and the state and the factors that discourage formalisation. In the second part, infrastructure and support services were explored in order to ascertain the dearth or availability of certain services that are considered very important facilitators of formalisation. In the third section, challenges/constraints faced by informal entrepreneurs were assessed. The final section looked at policy measures to improve the conditions and facilitate the formalisation of informal entrepreneurs in the study area. The major findings of the chapter are summarised below.

Most respondents reported that their relationship with the state was benign and friendly. Very few had encountered a problem with the regulatory institutions or been required to make payments in order to operate, except by their informal associations. Lack of information regarding business registration and awareness of the need to register were the most common reasons for non-registration of informal businesses with the authority. Therefore, a clear majority did not possess any licences or permits to operate.

More than half of the entrepreneurs were willing to formalise. However, lack of incentives and benefits for formalisation, too many business registration protocols, high cost of formalisation and lack of awareness had deterred the majority from registering their businesses. With regard to facilitating their voluntary transition, better access to loans, simplified registration procedures, functional infrastructural services, and favourable tax regime for informal sector enterprises were identified as important by more than three-fifths of the respondents.

The majority of the participants reported that infrastructural services were generally poor except for communication services. Electricity supply stands out as the most serious problem faced by informal entrepreneurs in the state. Additional challenges and constraints reported by the respondents include lack of support from the government and limited working capital as a result of poor access to credit.

On policy measures to facilitate and encourage their voluntary formalisation, the majority of the respondents emphasised the importance of simplifying business regulations and lowering the costs of doing business, access to low cost capital, improving infrastructural service delivery, access to business development and support services and creation of awareness and access to information.

CHAPTER NINE: INSIGHTS FROM THEORETICAL EXPLANATIONS ON THE DRIVERS OF INFORMAL ENTREPRENEURSHIP

Introduction

This thesis takes an eclectic approach to the theorisation and analysis of informal entrepreneurship. The chapter focuses on two different theoretical approaches (theories of informal economy and institutional theory) to the drivers of informal entrepreneurship used by scholars in explaining the causes and prevalence of the phenomenon. The chapter begins by discussing insights derived from theories of the informal economy/entrepreneurship and then goes on to consider the explanatory potential of institutional theory. The aim of the chapter is to enhance our understanding of the drivers of informal entrepreneurship in the Nigerian context in general and Zamfara in particular.

9.1 Insights from the theories of informal economy on the drivers and incidence of informal entrepreneurship

This section explores the insights from each of the four perspectives of theories of informal economy discussed in the review section in explaining the incidence and causes of informal entrepreneurship in Zamfara, Nigeria. As established in the literature (see Becker, 2004; Biles, 2009; Chen, 2005, 2012; Cling et al., 2010; Dellot, 2012; Henken, 2005; Raskowski, 1994; Williams, 2007, Williams et al., 2009) four contrasting perspectives have emerged, each offering a different explanation of informal entrepreneurship. For example, modernists see informal entrepreneurship as consisting mostly of traditional economic practices or modes of production. Structuralists view it as subordinate to the formal sector, often due to the subservient nature of its functions to the formal sector. On the other hand, neo-liberalists describe participants as self-employed individuals exhibiting certain entrepreneurial attributes, ingenuity and resilience to operate under excessive and stringent regulations, while post-structuralists subscribe to the notion that informal entrepreneurship is a voluntarily chosen life-style, either for social and redistributive purposes or as a resistance practice against paid employment (Williams and Gurtoo, 2012). This last perspective views informal entrepreneurship beyond the lens of market-oriented transactions, instead perceiving the phenomenon from a broader social spectrum of community relations (Williams and Gurtoo, 2012). Based on the different conceptualisations of the activity by different scholars, and the nature of the drivers of the participants, this study found that no single theoretical perspective fully captured the differing drivers of the participants. Instead, all four theories are relevant in explaining the reasons and causes of participation in the activity of different groups of participants to varying degrees.

The following analysis considers each of these theoretical perspectives individually to ascertain whether informal entrepreneurship in Zamfara state reflects the predictions and theoretical explanations of any of these perspectives. The replies from the respondents with regard to their main

reason for participating in informal entrepreneurship are therefore relevant in this analysis (see Table 7.1)

9.1.1 Modernist perspective

The study found that some respondents became informal entrepreneurs because of inheritance/family tradition, reflecting a modernist perspective. It is interesting to note that most of these respondents were engaged in traditional family occupations transferred across generations. Therefore, their engagement in the sphere conforms largely to traditional pre-modern economic activities conducted as a historical legacy or as a residue of some previous mode of accumulation (Williams and Youssef, 2013). Modernism is reflected in the entrepreneurial endeavours of certain groups, especially those preoccupied with trades and occupational activities, such as blacksmiths, traditional barbers, healers, weavers (cloths and straw floor mats), butchers, dyers and tanners, among others. This suggests that the modernist perspective as a version of dualist school remains relevant in explaining the drivers and practices of some informal entrepreneurs. However, the assumption that informal entrepreneurship is a separate and distinct entity has been discredited and is considered to be outdated by many scholars (e.g. Hart, 2005; Chen, 2005).

9.1.2 Structuralist perspective

In order to assess the explanatory potential of the structuralist perspective, the main reasons for starting the business were again considered. Those who reported reasons such as being laid off, unemployment and self and family sustenance, were considered to be involuntary participants and hence reflected a structuralist explanation. The absence of alternative means of sustenance and formal qualifications to secure salaried job cause many people to set up informal enterprises as a source of income (see Dellot, 2012). It should be noted that not all participants had engaged in the activity as a last resort. However, certain types of informal entrepreneurs in the low-income, such as petty traders and hawkers of formal firms' products, conform to the structuralist theoretical perspective.

In addition to low-income entrepreneurs, certain higher income groups fit the structuralist interpretation. One such group is appointed dealers and distributors of formal firms' products. Informal entrepreneurs engaged in these types of business activities are highly dependent on the formal sector for the supply of basic commodities and merchandise. Other groups of informal entrepreneurs playing similar roles are those engaged in commercial activities as retailers (vendors and hawkers of formal firms' products) (Cross, 2000; Peattie, 1980). Similarly, in production, another chain of unequal but functional relationships exists (Tamkin, 2009) between the two sectors. Most of the raw materials used as inputs by the large enterprises were usually supplied through informal entrepreneurs acting as middlemen. For instance, in Zamfara, manufacturing industries such as Zamfara textile industries, Gusau oil mills, Zaitun oil mills and a number of cotton ginneries use

middlemen for the supply of raw cotton, ground nuts and cotton seeds for their daily production. These industries also maintain appointed dealers and distributors for the sale of their products.

Another type of structural relationship is found between informal manufacturers and producers and their suppliers. Some informal manufacturers and producers are heavily dependent on formal firms for the supply of their means of manufacturing inputs. This is because the inputs used by such types of manufacturers are produced or imported by formal firms (see Gerry, 1974, 1978; Moser, 1978).

9.1.3 Neo-liberal perspective

As with the previous perspectives, some participants demonstrated a neo-liberal rationale for engaging in informal entrepreneurship. For this group, engagement in the activity was a matter of choice. Therefore, participants in informal entrepreneurship might not only be requirement-based but also personal growth-based entrepreneurs may participate voluntarily for making money.

It has been discovered that many participants were discouraged from registering their business as a result of a difficult registration process. Several authors (e.g. De Soto, 1989; Ghersi, 1997; Haussmann, 2013; ILO, 2002) have pointed out that for many informal entrepreneurs' non-compliance is caused by rigid and cumbersome regulations. Another argument is that the majority of participants were not aware of the benefits of business registration. This could be true in the case of Zamfara. The evidence revealed that many of the survey respondents were unaware both of the need to register their business concern and of the possible benefits that could derive from registration.

To explain this further, the survey participants' responses to the open-ended question: 'why engage in informal instead of formal entrepreneurship?' shed more light on the reasons for engaging in the activity. The most common recurring themes in the responses of the participants are little capital requirement, lack of awareness, ease of entry and organisation, and too many registration requirements. Tax avoidance was cited by relatively few respondents reflecting the neo-liberal nature of the regulation of informal entrepreneurial activities in the state. However, this finding does not reject De Soto's (1989) claim that informal entrepreneurs are denied the right to operate in a free-market economy due to excessive state regulation, because some respondents mentioned bureaucracy and administrative bottlenecks delaying the registration process and demands for bribes and gratification as their reason for withdrawing their intention to register their businesses. These participants' problems were usually due to government officials' (in) action creating additional and unnecessary delays in the processing of applications and to corruption, which resulted in them circumventing the regulations and continuing to operate informally.

The neo-liberal explanation tends to reflect informal entrepreneurship in Zamfara because many growth-driven entrepreneurs that have the capacity to employ others as paid workers are in the sector

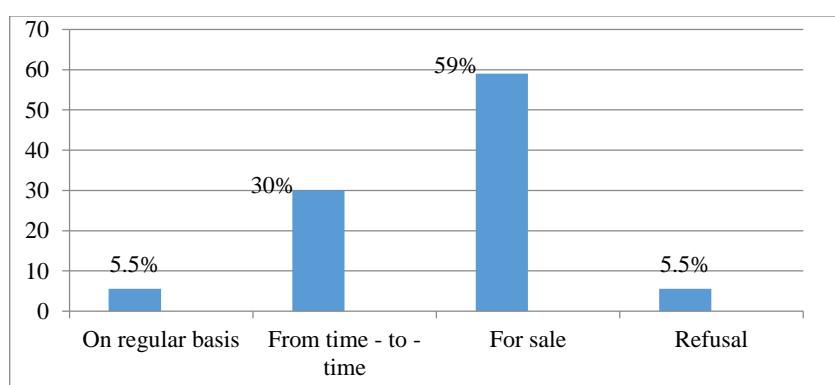
for rational economic reasons, as opposed to survivalist entrepreneurs. Secondly, due to business growth, many need-driven entrepreneurs have later become personal growth-driven.

Even though neo-liberalism is not applicable to the entire cohort of informal entrepreneurs in Zamfara, the finding shows that a considerable percentage of the participants viewed their informal entrepreneurial endeavour as the best way for making money and an alternative to participation in the formal sector. This group made a rational economic decision to operate informally because it would require little capital and few skills to organise without meeting any regulatory requirements.

9.1.4 Post-structuralism

The findings suggest that few informal entrepreneurs reflected a post-structuralist perspective among the sample. It was the least represented among the four contrasting explanations and is therefore considered the least significant. To further explore the relevance of a post-structuralist perspective in explaining informal entrepreneurship in Zamfara, respondents were asked whether they offered their goods and/or services for social redistributive (non-monetary) purposes, as shown in Figure 9.2

Figure 9.2: Offering goods/services for social redistributive purposes



Source: Field survey, 2012. Number of observations 215

Figure 9.2 reveals that almost two-thirds of entrepreneurs did not offer their goods and/or services for social redistribution. However, close to one-third (30%) did so from time-to-time, while only one in every twenty offered goods/services for social distributive purposes on a regular basis. This suggests that the post-structuralist perspective is relevant to relatively few informal entrepreneurs in Zamfara.

Further findings from the researcher's interaction with participants, coupled with insider experience as a one-time participant in the activity, suggest that reflection of post-structuralist theorisation cuts across various logics among the rationales that can trigger participants' engagement. These rationales may be based on community ties, social and redistributive purposes, community solidarity and

support, reciprocity and paid favours, or cultural identity and resistance. All the above cited logics hold amongst the informal entrepreneurs in Zamfara, but to varying degrees.

All four theoretical assumptions are reflected in the activities of different groups of participants based on their reasons for engagement. This suggests that the predictions of each theoretical explanation given above are valid for certain of these groups. The study thus provides only partial support for each of the theoretical perspectives of informal economic theorisation of the activity on the basis that predictions of each of the perspectives were reflected in the conduct and practices of informal entrepreneurs and found to be relevant in explaining the drivers for the participation of different groups. Indeed, as reported in other studies (Williams et al., 2012b; Williams and Gurtoo, 2012; Williams and Youssef, 2013), singly these theoretical perspectives were found to fall short of adequately explaining the reasons for the engagement of all types of informal entrepreneurs. Consequently, it is only through different theoretical explanations that the reasons for engaging in the activity by different groups can be appropriately explained.

Reasoning along this line, some analysts (e.g. Williams, 2007, 2008; Williams et al., 2013b) have proposed an integrative framework that indicates co-existence of the four different interpretations and suggest that the various viewpoints of each perspective represent different forms of informal entrepreneurship. Hence, emphasising one perspective while disregarding the others seems to provide an inadequate interpretation of the phenomenon (Williams et al., 2013c). To gain theoretical clarity and a rich understanding of the phenomenon the thesis moved beyond informal economic theories in explaining the practice of informal entrepreneurship in Zamfara by exploring insights derived from institutional theory explanations.

9.2 Insights derived from institutional theory on the drivers of informal entrepreneurship

This study has so far argued the need to move beyond the four different perspectives on the informal economy in explaining the complex nature of informal entrepreneurship in developing countries such as Nigeria, because none of the schools provide an explanation of the diverse drivers and reasons for the prevalence of the phenomenon that fully captures its complex nature and different manifestations. Institutional theory can help explain the drivers and causes of the phenomenon, by incorporating cultural, historical, socio-economic and political factors and characteristics and practices which are developed, exercised and governed by the interplay of many institutions. Hence, an engagement with institutional theory may lead to a deeper and comprehensive understanding of the diverse and complex nature of the drivers and forces for engaging in informal entrepreneurship.

As discussed in Chapter Two, institutional theory scholars (e.g. Meagher, 2007; Stephan et al., 2015; Vaciana and Urbano, 2008) have suggested four explanations from which the drivers and forces for engaging in and prevalence of informal entrepreneurship can be delineated: cultural-cognitive and

normative institutions, legal pluralism, formal institutional voids and formal institutional support asymmetry. The following sections explain the relevance of each of these explanations with respect to causes and reasons for engaging into informal entrepreneurship and its incidence based on evidence from the findings of this study.

9.2.1 Cultural-cognitive and normative institutions

It has been discovered from the inductive responses that cultural-cognitive and informal normative institutions play enormous and diverse roles as driving forces in the development and governance of informal entrepreneurship. Culture, customs, trust, norms, mores and general belief systems are institutions that have a very strong influence on shaping, promoting and facilitating the conduct and practices of informal entrepreneurship. The analysis of the participants' reasons for engaging in the informal sector has demonstrated the influence of these factors on their decision. A sizeable number of the participants reported factors that are linked to traditional and cultural trades and occupational practices as their main reasons for engaging in the activity. These are informal entrepreneurs to whom the activity is passed down as family tradition or ancestral economic endeavour, reflected in statements such as 'I learnt the business from my father as our traditional family occupation'; 'it was just traditional occupation meant to serve as source of income and preserve my family trade'; 'it has been our traditional family occupation and every member of our family has learnt this trade'. In addition, the study found that cultural values were manifested in both the conduct and the practices of informal entrepreneurship. As one participant stated: 'I'm the first son of my father; since he is growing older I have to shoulder some of his family responsibilities by engaging in this activity in addition to my government job'.

Another pattern of cultural and traditional values that the study revealed is the low rate of women's participation in market-like activities. Women were found to predominate in home-based informal entrepreneurship, largely owing to the practice of *purdah*. This finding corroborates the findings of many studies in Nigeria and other countries, especially predominantly Muslim areas (e.g. Abegunde, 2011 on Lagos; Abumere et al., 1998 on six urban cities in Nigeria; Mabogunje and Filani, 1981 on Kano; Simon, 1998 on Kaduna; ADB/BPS, 2010 on Indonesia; Arasti et al., 2012a & b on Iran; Gray and Finley-Hervey, 2005 on Morocco).

Norms constituted a strong culturally affiliated element in shaping the behaviour and attitudes of participants through enforcement of restrictions and code of practices with which every participant had to comply. If they did not, they could experience sanctions in the form of expulsion from a group, peer pressure or reputational loss. As the chairman of the fruit sellers' association asserted, 'for any association to operate successfully and achieve its goals, there must be some dos and do nots' (see Section 5.3.4). In addition to informally instituted norms, norms of morality and trust exist as a

product of the moral economy (Lyon and Porter, 2009). Mutual trust governs most transactions, especially in the informal market. In this respect, there are certain actions that are considered abhorrent and unacceptable both in trade or occupational groups and in general transactions. Most of the trades in the current study therefore respected certain conventions. For example, the tea and bread sellers' association banned cigarettes smoking and the purchase of tea items, except from a renowned supplier or store (see Section 5.3.4). Also, most of the trade group leaders interviewed had dispute settlement procedures or committees to deal with disputes between trader groups and individual traders. Most of the time the police would intervene only on invitation in criminal cases. For example, the chairman of the motor spare parts dealers' association stated: 'all cases of dishonest dealing are handled by the Dishonesty Committee and all disputes by the Peace Committee'. He added that 'we hardly allow issues to be reported to police except when they are complicated'. This is consistent with the findings of many studies in Nigeria (e.g. Adamu et al., 2005; Adebayo, 2005; Lyon and Porter, 2009; Porter et al., 2004, 2010; Porter and Lyon, 2005).

The study found that networks played an influential role in nurturing and facilitating informal entrepreneurial activity, particularly in relation to training, access to resources, opportunities and linking with customers. All these factors promote and foster the general growth and supply of informal entrepreneurs. The findings suggest that some networks are built on ethnicity, others on trade and occupations or through business interactions. This finding corroborates the finding of Bhola et al. (2006) suggesting that social networks are an important source of entrepreneurial opportunities through creating and maintaining connections with friends and business associates.

Findings from the researcher's interactions with participants, coupled with insider experience as an erstwhile participant in the activity, suggest that participants' engagement could be triggered by social and cultural rather than pecuniary logics. Data obtained from the field in the form of notes taken based on discussions with the participants show various activities were conducted on the basis of interpersonal relations and trust (see Lyon and Porter, 2009). These were mostly based on community ties and conducted through kinship sharing of production inputs and kinship support. For example, in almost all the localities visited during the field work, joint-family-owned production sites and systems were found amongst blacksmiths in Gusau, Damba, Jangebe and Kurya-madaro, and amongst potters in Kaura-Namoda, indicating that these are common features of family enterprises and traditional occupations in Zamfara state.

In addition, community ties play a significant role in facilitating the delivery of entrepreneurial assistance to kin, relatives, neighbours and acquaintances. Informal entrepreneurs are often willing to volunteer such services, especially during adverse conditions and calamity. As Hart (1973) suggests, in Ghana (a country sharing some common cultural values with Nigeria), income imbalances are mitigated by the generosity of kinsmen and neighbours. This value is also evident amongst the Hausa,

the predominant tribe in Zamfara state. In Hausa communities, for example, contribution to entrepreneurs plagued by loss of wealth or property through theft, arm robbery, fire accident and other unforeseen circumstances is a very prevalent practice.

The practice of enclave identity among Hausa people in Ghana was also reported in Hart's (1973: 73) study in Ghana, revealing that this community had an ethnic-enclave and dominated meat distribution business 'from the cattle trading to butchering using ethnicity and enclave identity as curtail to entry by a non-member.' Selling and distribution of meat in the study area is still characterised by this type of restriction and curtailment. Most of those involved in the business belong to the 'rundawa' (traditional butchers) clan. However, in recent times, very few other groups of individuals have partaken in such endeavour. Also, collective identity plays a prominent role in the day-to-day practices of some informal entrepreneurs (see Lyon and Porter, 2009; Webb, et al. 2009) and as such ethnic enclaves and collective identity play a significant role in curtailing entry into a particular trade or occupation by non-members. Lyon and Porter (2009, p. 904) argued that amongst the informal entrepreneurs engaged in selling food stuff and vegetables in Jos, 'gender and ethnic identity shape access to most forms of cooperation'. Apart from this, they ensure dominance through enhancing assistance via training and provision of credit for business start-up to members. These social networks mostly take place along clan, tribe and religious lines, such as the Hausa people's preponderance in informal foreign exchange and meat selling in Nigeria. The predominance of certain tribes in some trades is noticeable in Nigeria (see Meagher 2005, 2007, 2009b & c), as highlighted by Meagher (2005) amongst the Igbo tribe in south-eastern Nigeria.

Other types of exchange demonstrating a non-profit motivated relationship are trade credits and non-interest money lending, particularly on market days. Such exchange is usually based on interpersonal relations and trust. On market days, trustworthy informal entrepreneurs with business skills but lacking working capital are granted short term loans, to be paid back at the close of the market activity or a week later. Such loans are reimbursed on request upon payment of the principal without interest. Many informal entrepreneurs often depend on this type of financing, especially in rural areas. Goods are also given to well-known and honest customers as trade credits to pay back after sales. While a cash loan is purely provided on social logic, trade credit in many instances is used for market expansion. Nonetheless, these practices all depend on trust, confidence and credit-worthiness. These exchanges provide access to resources that facilitate the individual's entrepreneurial endeavour.

Cooperative societies' activities reflect the cultural-cognitive and normative institutional perspective, as most of their activities are not purely for profit but to reduce prices to members, in the form of 'pay less'. They ease access to productive inputs and serve as soft loan providers, in order for members to pursue their entrepreneurial desires.

Some elements of resistance practice were found still to exist amongst a few informal entrepreneurs in Zamfara state, mostly participants who distrusted the government, consequent upon an inefficient welfare system and/or corrupt practices. They had resisted association (formalising their undertakings) with the government, based on a suspicious mind-set regarding the formal system or state authority, as they viewed governmental institutions as corrupt. There was also a very small proportion of individuals who joined the endeavour as a sort of resistance to formal waged employment. This particular group disliked working as salary earners, probably because they believed that, by operating informally, they would earn more income or, as in other cases, they had developed antipathy towards the government or the formal system (see quotes in Section 7.3).

At community level, reciprocity and paid favours were found to be part and parcel of informal entrepreneurship practices in the study area, more commonly for participants engaged in traditional occupations, such as blacksmiths, traditional barbers and builders. Many traditionalist entrepreneurs still hold to the non-monetary exchange practices of their fore fathers. Their services are often offered to their clients for a return after the farm harvest. In Zamfara, quite a lot of entrepreneurial activities are conducted for community solidarity support in the form of social works, mutual aid and unpaid community exchange at various community levels. Informal entrepreneurial associations play a significant role in providing welfare support, especially to members, and build market infrastructure and provide assistance to members, particularly during adversities and unforeseen circumstances (Lyon and Porter, 2009).

The fact remains that informal entrepreneurship in Zamfara is strongly embedded in the culture at individual and community levels. In effect, a lot of activities are apparently conducted on the basis of social logics which may not involve the expectation of financial reward (Gaughan and Ferman, 1987).

9.2.2 Plural legalism

Another strong driving force behind participation in informal entrepreneurship is dual legal institutions operating side by side. The prevalence and co-existence of dual institutional legal frameworks, traditional and/religious on one hand, and modern and/statist on the other, plays a significant role in the persistence and expansion of the activity. Owing to strong traditions and religious beliefs, many participants may feel more obliged to the dictates and canons of their traditional and religious legal institutions than the modern institutional structures and arrangements (Meagher, 2009a). The majority of the operators were found to be unaware of any laws governing enterprise operations. The indigenous and religious laws and orders still shape the behaviours and attitudes of entrepreneurs in the sector. The effects of the co-existence of dual regulatory systems are manifested in the expansion of the activity because the traditional forms of authority at times compete for legitimacy with formal institutions (Meagher, 2007).

In the descriptive analysis section on regulating informal enterprises, the majority of the participants were found to be informally regulated. Some 70% of the 86 respondents who confirmed that their activities were regulated stated that the regulations originated from informal institutions, whilst only a third (30%) asserted that their regulations derived from formal institutional arrangements. An interesting finding in this regard is the rules governing the operations of the taxi drivers and commercial tricycle and motorcycle riders, whereby informal entrepreneurs working as taxi drivers and tricycle riders, in addition to the traffic regulations (formal arrangement), are prohibited from initiating talks on personal issues with their female passengers. Tricycle riders in particular are banned from carrying male passengers and their motorcycle counterparts from carrying female passengers. These regulations were instituted due to religious laws that prohibit mingling of mature males and females that are not married or involving relatives to whom marriage is prohibited, as decreed by Islamic sharia law.

It was found that all informal entrepreneurs' associations of which interviewees were members were governed by certain laws (rules and regulations) which exert a significant influence on the behaviour and attitudes of their members. In recognition of this, coupled with the laissez-faire attitudes of state authorities regarding the activity, the state at times uses these associations to regulate their activity in a form of quasi-formal arrangement. Meagher's (2013) study on informality, religious conflict and governance in Northern Nigeria reported a similar finding in Kano. Similarly, Seidler's (2011) study in Maiduguri reported a disregard for formal arrangements on property rights by traditional institutional administrative structures in respect of authority over undeveloped land in their domains. In addition, numerous regulatory provisions are in place to govern different services not covered by the state legal system. They equally enforce local laws and regulate the general conduct and practice of informal entrepreneurs (Meagher, 2007).

9.2.3 Formal institutional voids

To analyse the relationship between informal entrepreneurship and formal institutional voids, the study looked at how informal institutions fill gaps left by formal institutions owing to (i) weak institutions and malfunctioning state (Meagher, 2007; Smallbone and Welter, 2001), (ii) underdeveloped formal institutions and their poor quality services (Autio and Fu, 2014; De Castro et al, 2014; Roxas and Chadee, 2012; Seidler, 2011), and (iii) defective formal institutional regulatory provision, weak rule of law and inadequate enforcement (Enste, 2003). This theoretical explanation seems relevant to the explanations offered by many participants for their reasons for engaging in the activity, which cited poor quality and inadequate supply of key infrastructural services such as electricity, road networks, transportation and water supply at 93%, 68%, 67% and 66% respectively (Fig. 8.5). Previous studies in Nigeria (e.g. Abumere et al, 1998; CBN/FOS/NISER, 2001; SMEDAN/NBS, 2012) have reported similar findings.

Other factors constituting formal institutional voids that foster informal entrepreneurship comprise insufficient access to credit at 63% (Fig. 8.6), limited access to formal financial services at 68% and limited access to business support services at 61% (Fig. 8.8). Inefficient and ineffectual provision of these services by the formal institutions pushes entrepreneurs into the informal sector and its institutions to access such services and support. The descriptive statistics have shown that only 0.5% of the whole cohort of the respondents had ever obtained a loan from formal institutions and only 2% from semi-formal (credit societies). The remaining 97.5% relied on informal financial institutions (Fig. 5.8). Also, informal financial institutions were the most likely sources of additional finance, at 82% (Fig. 5.9), and the most important to 91% of the respondents (Fig. 5.10)

In addition, poor and unstable economic policies and the general absence of good governance contributed to formal institutional voids that fostered the growth and persistence of the activity. This is reflected by more than half of the respondents reporting socio-economic insecurity at 56% (Fig. 8.8) and the need to reduce corruption and bureaucracy at 55% (Fig. 8.9). Other related factors raised by almost half of the respondents in their inductive responses were tackling extortion and security challenges. These findings are consistent with the findings of other previous studies in Nigeria (e.g. NOI Polls, 2013; SMEDAN/NBS, 2012). For example, SMEDAN/NBS (2012) found that a lack of access to finance, weak infrastructure, and inconsistencies of government policies were among the major challenges faced by micro (informal) enterprises. Similarly, a collaborative study carried out by NOI Polls (2013) in collaboration with the DFID Nigeria programme reported that power, security, corruption and access to finance were the most critical limiting factors for business and entrepreneurship growth and development. These findings evidently support the assumption of formal institutional voids due to underdeveloped, inefficient and ineffective formal institutional structures and arrangements, which often forced entrepreneurs' reliance on informal institutional frameworks and provisions and thereby encouraged the formation and perpetuation of informality.

9.2.4 Formal institutional asymmetry

As argued earlier, it has been assumed by the advocates of this theoretical explanation that high levels of discrepancy, incongruence and misalignment between the formal and informal sectors and their institutions nurture and sustain informality among entrepreneurs. Therefore, formal institutional asymmetry is assumed to develop as a result of misalignment between formal rules and norms and informal socio-economic norms and cultural values of the citizens (Dzhekova and Kojouharov, 2015), which yields divergent views between formal and informal institutions on what can be regarded as approved and legitimate economic behaviour (Vu, 2013; Webb et al, 2009). It is also assumed to develop due to lack of public institutional credibility, negative perceptions and mistrust of public authorities owing to corruption and unfairness (Enste, 2003), resulting in a weak social contract between citizens and the government (Dzhekova and Kojouharov, 2015). In addition, it has been

considered as reflecting the level of attention and support given to formal and informal sectors by the government (Williams and Vorley, 2014).

To evaluate the cogency and strength of the assumption of this thesis, evidence from the field (through the surveys and interaction with participants) and the researcher's experience as an erstwhile participant in the activity suggest the presence of three elements as causal factors of formal-informal institutional asymmetry in Zamfara, Nigeria. The notion of divergent views of what constitutes legitimate or approved economic behaviour between formal and informal institutions would be a good starting point for examining the causal factors fostering and perpetuating informal entrepreneurship from this theoretical lens. This seems to stem from the different conceptions of legitimate economic behaviour by the two institutions which could be linked to the co-existence of dual legal systems in conjunction with the cultural value system of the citizens. In traditional Nigerian society in general, and northern Nigeria more particularly, traditional and religious beliefs and legal systems have a significant influence in people's daily life, both socially and economically (see Coles, 1991; Frishman, 1991; Seidler, 2011; Zakaria, 2001).

To a certain extent, the disproportionate benefits citizens derive from informal institutions rather than from the state at times lead to citizens according higher regard and recognition to informal norms and values than those of the state (see Meagher, 2005, 2009a, b & c, 2010). Hence, any economic behaviour endorsed by culture, norms, values and belief systems is supreme and considered legitimate, despite the state institutions' disapproval. Property rights, particularly rights to inheritance in respect of land ownership, serve as a clear example (see Seidler, 2011).

Informality is also fuelled by the weak social contract between citizens and the state as a consequence of the latter's lack of credibility and trust, owing to negative perceptions and corruption. Such perceptions were held by more than half (55%) (Fig. 8.9) of the respondents, who opined that reducing corruption and bureaucracy in the public administrative apparatus would help tackle the challenges faced by informal entrepreneurs. Similarly, almost half suggested the need to tackle extortion by government officials (security agencies, particularly police). In addition, owing to the corrupt and inept behaviour of some government officials entrusted with the responsibility of disbursing business development loans, some respondents reported that they no longer relied on or awaited a loan or assistance from the government because they were given to relations, friends of the officials and those who could afford to give bribes.

In terms of asymmetry in the form of differential attention and support in favour of the formal sector by the government, evidence from the field suggests informal entrepreneurs' discontentment with the level of government's attention and support, compared to the formal sector, thus: 'there is the need for a change in the government's lukewarm attitude towards us'; 'more attention needs to be given to us';

‘the government shows no interest in our activities in terms of assistance’. Overall, the theme of ‘lack of support from the government’ scored 79% (Fig. 8.8), as indicated in their responses to the question: ‘what is the main reason for not registering your enterprise(s)?’ These included a ‘lack of information about registration’ and ‘Do not know if I have to register’, accounting for 61% (Fig. 8.2). Similarly, 56% of participants cited a ‘lack of awareness and access to information, whilst 68% reported a lack of incentives and 54% mentioned the high costs of registration (Fig. 8.3). These responses highlight the low level of attention and support from the government.

This analysis has highlighted the relevance of institutional theory in explaining the determinants of informal entrepreneurship. It has shown that the conduct and practice of the activity is fuelled by cultural-cognitive and normative institutions, co-existence of dual legal systems (traditional/religious and state laws), underdeveloped, weak, inefficient and ineffective formal institutions (formal institutional voids) and formal-informal institutional asymmetry, which have led to divergent views between formal and informal institutions on legitimate economic behaviour. On the above premise, it can be argued that informal institutions in many facets play a substitute role in the absence of developed, effective and efficient formal institutional structures and arrangements, and hence play a significant role in the provision of informal institutional frameworks, platforms, structures and arrangements with potential to reduce the uncertainty and transaction costs among informal entrepreneurs.

The above analysis has shown the cogency and dynamism of institutional theory in explaining the remote and contemporary causes and drivers of informal entrepreneurship and thereby justifies the move beyond informal economic theories in explaining the drivers, forces and incidence of informal entrepreneurship in developing countries such as Nigeria.

9.3 Chapter summary

This chapter has explored insights from the two prominent theoretical explanations of the drivers and incidence of informal entrepreneurship in Zamfara. The first part appraised the relevance of theories of informal economy, while the second examined that of institutional theory. In the first part, the thesis argued that no single theory of informal economy is universally applicable to all informal entrepreneurs in Zamfara state but rather that all four theories are valid in relation to different groups of participants. It is only by drawing on all four theoretical explanations that a clear and accurate picture of the complex, heterogeneous and diverse nature of informal entrepreneurship in this region can emerge.

An in-depth analysis of the theoretical assumptions vis-a-vis evidence from the study has demonstrated the validity of each perspective in relation to certain groups. For example, modernism is more valid when describing traditional ancestral endeavours and pre-modern economic activities,

whilst in the case of deprived populations, some own-accounts and middlemen/agents a structuralist reading tends to be more valid. Meanwhile, a neo-liberal perspective tends to provide a more appropriate explanation for the engagement of owner-employer and some higher income earners amongst the own-account operators, while post-structuralist theorisation is more relevant when discussing social actors whose participation is often based on social, redistributive, resistance and identity rationales. Consequently, different theorisations may tend to be more relevant in explaining the rationales for participation among different groups and no one theory fully captures the multifarious rationales and drivers, dispositions and characters of informal entrepreneurs. Hence, only incorporation of all four theoretical perspectives can provide an accurate and full understanding of the sphere.

The inability of any single theoretical perspectives from the theories of informal economy to fully capture the different manifestations of informal entrepreneurship, this study explores explanations from institutional theory regarding the drivers and forces of the incidence of the phenomenon. The findings suggest that both formal and informal institutions constitute drivers of informal entrepreneurship. In the formal institutional context, this could be due to formal regulative factor consequential to formal institutional voids or support asymmetry, while in the informal institutions, it could relate to informal cognitive, and normative and cultural factors brought about by plural legalism and cultural-cognitive and normative values. Evidence gathered from the study indicates that a variety of factors under the wide spectrum of formal and informal institutions are responsible for entrepreneurs' engagement in informal sector activities. Institutional analysis therefore enables a richer interpretation and deeper understanding of the complex and diverse nature of the drivers and forces for engaging in informal entrepreneurial activity from a broader perspective of both formal and informal institutions. It also conjoins socio-economic, cultural, political, historical factors and their influences in the development and dynamics of the activity.

CHAPTER TEN: DISCUSSION AND SYNTHESIS OF FINDINGS

Introduction

The findings in each of the preceding five results chapters addressed a particular theme relating to the research questions the study was set to answer in the context of Zamfara state, Nigeria. The research questions were: what is the nature and character of informal entrepreneurship; what are the motives for participation in the sphere; what characteristics and motives relate to different groups of participants in the sector and what policy measures and approaches could improve the operating condition and, encourage the voluntary formalisation of some informal entrepreneurs? This chapter synthesises and discusses the findings and seeks to elaborate on the implications of the answers to the research questions.

The thesis has demonstrated that informal entrepreneurship is widely practiced in Zamfara. The predominance of the endeavour could be attributed to socio-cultural and spatial factors, the level of economic development and, to an extent, the failure of formal institution. In line with this, the thesis argues that cultural traditions and economic conditions significantly influence individual participation in informal entrepreneurship. The activity is highly heterogeneous and marked by socio-spatial variations, both between participants and the types of entrepreneurial activities they are engaged in, and so too are their characteristics, and motives for participation.

On participants' motives, the thesis argues that informal entrepreneurs' can have more than one motive for participating in the informal economy and these motives can alter over time. The primary motivation for some participants is compliance with tradition (modernism), but for the majority it is either a coping strategy (structuralism) or an economic adventure (neo-liberalism). Relatively few regard it is a social redistributive and community exchange or voluntary lifestyle choice (post-structuralism). It is clear, therefore, that no single theory is universally applicable to informal entrepreneurs in Zamfara and that a more nuanced approach is required. The thesis argues that such an approach can be developed by incorporating insights from institutional theory. Institutional theory has shown that socio-cultural identity and history, economic and environmental influences, and power relations and relationship with state constitute strong drivers in the practice and development of informal entrepreneurship in Zamfara.

There was evidence that the environment under which informal entrepreneurs operated in Zamfara is generally poor. The participants were conducting their activities under often deplorable conditions and lack of critical resources and infrastructural facilities. Both policy and dedicated agencies to cater for ISEs were not in place either in Zamfara or Nigeria more generally. Therefore, the participants were fending for themselves to meet their operational requirements to stay on.

10.1 Nature and characteristics of informal entrepreneurship in Zamfara

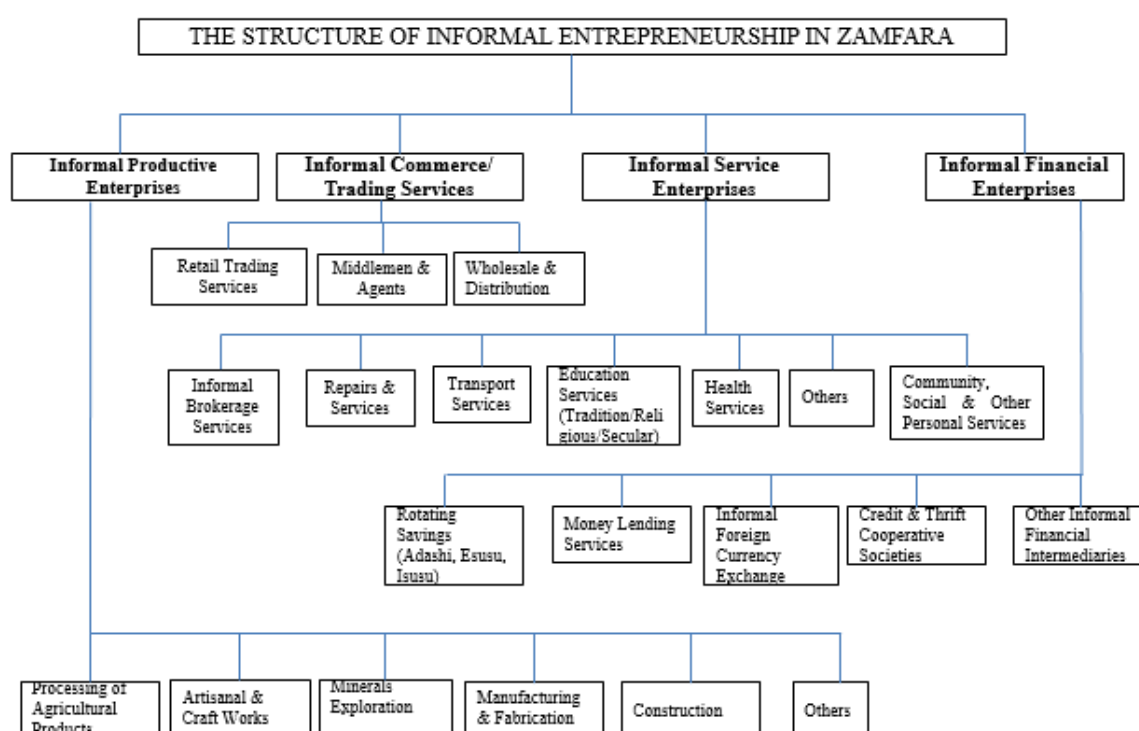
This study has demonstrated that informal sector entrepreneurship persists instead of disappearing, as Lewis's (1954) theoretical model of economic development in developing countries postulates. The persistence can be explained by reference to numerous factors, including growing levels of unemployment, lower levels of education, an increasing lack of awareness on the need to register businesses, and role models (testimonial evidence of successes of informal entrepreneurs). These factors, along with government economic reform policies of the 1980s and 1990s led to a sharp decline in employment opportunities (Etinosa, 2008) due to public sector downsizing and forced retirement and retrenchment in both the public and private sectors, which increased the rates of entry into informal entrepreneurship. Other factors were the diminishing value of the *naira*, which resulted in a fall in real income values, a lack of trust relations, and lack of effective legal and regulatory frameworks and policy specifically for informal sector entrepreneurship.

The effects of these factors have led to the persistence of informal entrepreneurship. Also, its contributions to providing employment and income generating opportunities have earned the sector recognition by policy makers. Indeed, the government had no alternative but to embrace the sector in its public policy, as it cannot provide employment to the large number of youths graduating from colleges and universities, recently estimated at 1.8 million annually (Meagher, 2013b). Informal entrepreneurship in Nigeria is therefore an inevitable economic process that cannot be completely eliminated because it dominates economic activity and has been recognised as a path to gradual economic progression by a majority of entrepreneurs, including the policy community. The government has hence fine-tuned most of its entrepreneurial development policies towards the promotion of informal enterprises' transition to the formal sector.

The survey revealed that informal entrepreneurship is deeply embedded in the economic life of the people in Zamfara. Thus, informal entrepreneurship is a source of employment and income opportunity to the vast majority of the entrepreneurs in the state. The ratio of informal enterprises to formally registered enterprises is very high, comprising 91% all of the entrepreneurial activities in the sample area. This is not surprising given that the Nigerian economy is generally dominated by small firms and according to Mordi et al., (2010) most operate informally. In the industrial sector, as reported by Adenuga et al., (2010), 97.5% of industries are small and medium-sized, but mostly small scale industries. However, in terms of output, the large-scale industries account for 85% of the total industrial output in the country. As observed by Sleuweagen and Goedhuys (2002) the structure of the economy of African countries is characterised by a small amount of larger firms accounting for the larger share of output.

As with earlier studies, the heterogeneous and diverse nature of informal entrepreneurship has also been established by this study. The activity forms a collection of different types of entrepreneurial activities involving a range of economic endeavours with different levels of productivity, earnings, and employment capabilities. It also spans manufacturing and services, although the activity is dominated by commercial services rather than manufacturing. The retail trade forms the majority of the participants' activity. The dominance of the retail trade has made competition very intense, as many are selling similar products. Based on the survey, the structure of the informal entrepreneurship in Zamfara is depicted in Figure 10.1 below.

Figure 10.1: Structure of informal entrepreneurship in Zamfara, Nigeria



Source: Configured by the researcher.

The chart portrays the diversity of informal entrepreneurship and its widespread role in socio-economic life. Participants belonged to different types of activities, categories and social strata. They cut across poor and rich, uneducated, the semi- and well-educated, the unemployed, and formally employed (straddling formal/informal entrepreneurs), single- and multiple enterprise owners, full-fledged and associate entrepreneurs (contributing family members and apprentices), full-timers and moonlighters, novices and the mature, survivalist, and dynamic to wholly and partially informal entrepreneurs. Occupational pluralism was very common amongst participants, particularly the

formally employed. In statistical terms they constitute 21% of the participants surveyed. Participants therefore include not only the unemployed and those struggling for subsistence but also the formally employed ones. Ownership is highly dominated by sole proprietors (81%), while partnerships, families, and collective enterprises formed 19%. Similarly, own account holders formed the largest group (78%) of entrepreneurs, with relatively few employers (22%). The pattern signals serious implications for the sustainability of the enterprises in the sector due to the dominance of sole proprietorship rather than partnership for synergy and collaboration, succession and continuity, even after the death of the founder.

With regards to social-cultural analysis of the activity, the study discovered that culture and ethnicity certainly play a prominent role in the conduct and practice of informal entrepreneurship. The workings of these social constructs were noticeable in the markets and among various trades and occupations. Ethno-dominance in some activities was quite prevalent and ethnicity played a vital role in strengthening customer relationship, but it often extended to intra- and inter-ethnic groupings. From the cultural perspective, women's participation in market-like activities was limited, owing to the predominance of the Muslim tradition of *purdah*. Also, many of the participants were following family tradition. Closely linked to this were the cases of joint-family-owned production resources and evidence of participation due to extended family responsibilities. There was evidence of non-profit-motivated economic exchange relationship manifested in non-interest lending of capital, particularly on the market days.

Evidence in the study established that the major and most common sources of initial capital are personal savings and sales of agricultural produce, livestock, and other assets or loans from family, friends, and relatives, rather than from formal institutions (see Figures 5.8 and 5.9 above). In working capital, 71% relied on the retained profits, distantly followed by trade credit (16%). A lack of alternative financing options is one of the most serious problems faced by informal entrepreneurs in the survey.

With respect to the consumption of their products, the study found that informal sector products are used as a substitute due to non-affordability of formal goods and/services as a result of high prices, or non-availability of certain products in the formal market. Another factor that featured prominently is the easy access of goods/services from informal producers.

Also, the study found that goods and services from the informal producers are mostly patronised by friends, relatives, neighbours and acquaintances and other informal producers. This is mainly caused by limited direct inter-linkages between the formal and informal sectors. The linkage between the two sectors is distinctly weak, but strong at intra-sectorial levels, especially within the informal sector operators. As discovered by the study the linkage between formal and informal economies is largely

forward, and this is usually in the supply of semi-processed or finished products, e.g. ground nut, cotton, cassava, hide and skin, and other mineral resources. The backward linkages rarely exist.

The informal enterprises in the study had much in common with the characteristics described elsewhere (e. g. ILO, 1972), except for ease of entry in some activities, regulation and family ownership. Ease of entry is certainly true for sellers of homogenous products in competitive market settings but is not a universal characteristic of all the activities carried out by informal entrepreneurs; it only bears on the activities that require few or no skills, such as trading, hawking, and vending. Some activities are not absolutely free and easy for new entrants, due to skill requirements, ethnic enclaves, and collective identity. Therefore, in certain activities, special skills are prerequisites for entry.

Apart from skills, ethnic enclaves and networks, principles and forces of markets, such as market segmentation, and monopoly in the formal economy also apply in some informal entrepreneurial activities. In some trades/occupations there are barriers that inhibit the entry of non-member (see Hart, 1973; Meagher, 2007, 2009). In Zamfara, butchering, cattle trading, and selling of livestock in general, foreign currency exchange, and the selling of solid minerals such as gold and other precious stones are not absolutely free and easy for all to enter. This substantiates that ease of entry applies only to those engaged in selling homogenous products in competitive market settings but absolutely not to all types of informal entrepreneurial activities.

Similarly, findings from this study contradicted the ILO (1972) criterion of family ownership, as one of the criteria identified with informal sector enterprises. Less than one in twenty enterprises were owned by family and all those were traditional occupations, e.g. blacksmithing, pottery, etc. Even in these types of enterprises, some engaged non-family members as part of the labour (see Meagher, 1995; Pitamber, 1999) and some participated as apprentices. Also, the conventional belief that the activity is unregulated has been contradicted. The findings on the regulation of informal entrepreneurs by their associations discussed above reinforce the argument that the participants are at least informally regulated.

However, the findings concurred with the ILO (1972) on the remaining criteria, i.e. reliance on indigenous resources, small-scale in operation, labour intensive and adopted technology, skills acquired from the non-formal school system, and competitive markets in respect of homogenous products. As reported by earlier studies (e.g. Bigstein et al., 2000, 2004; Nelson and Bruijn, 2005) this study confirms the use of crude and obsolete technology by most of the participants. Most of the workshops and industries visited relied on outmoded machines. It seriously limits the efficiency and productivity of the sector.

10.1.1 Manifestation of entrepreneurial orientations amongst the surveyed informal entrepreneurs

The study found that informal entrepreneurship embraces both entrepreneurial spirit and striving for subsistence. The former was more overt amongst the dynamic informal entrepreneurs. This category, despite their firm's characteristics, employed some entrepreneurial orientations in the conduct of their activity albeit at latent level. The dynamic informal entrepreneurs, though at an embryonic level, demonstrated an element of innovation, autonomy and independence, competitive aggressiveness, pro-activeness, and risk-bearing. Those involved in manufacturing and production manifested innovative abilities in the production of farming implements and agricultural produce processing equipment, such as ploughs, grain harvesters, threshing machines, etc.

Growth-oriented entrepreneurs possessed some degree of marketing innovation and strategy. An example was a participant that turned around and converted tanning fits to dyeing fits (traditional well-liked fits in which tanning and dyeing chemicals are mixed), due to the eroding market of the locally tanned leather, with the advent of the modern tanning industry. Besides, there are a number of adaptive/imitative informal entrepreneurs engaged in providing assorted articles, utensils and fabrication of varied types of motor vehicle body frames, gates, doors and windows with modern designs.

Therefore, Pitamber's (1999, p. 26) assertion that 'every individual engaged in an economic activity has entrepreneurial capabilities extending over a continuum of a novice entrepreneur to an expert entrepreneur' is relevant in explaining the entrepreneurial orientation of informal entrepreneurs in Zamfara. Of course, some informal entrepreneurs exhibited pro-activeness in terms of exploiting business opportunities, aggressively striving for victory. Others had a high a risk-taking propensity and were autonomous and independent in their business decisions. However, amongst certain groups owing to sharing of production resources and cooperation, aggressive competition was very low.

10.1.2 Regulatory features of informal entrepreneurship

The findings indicate that most informal entrepreneurs were regulated by their associations. A preponderance of registration with member-based organisations/associations was evident. Almost three-quarters of the participants were registered with informal entrepreneurs' associations. Also, some participants paid tax, e.g. mechanics and others who were licensed like drivers. Those operating in government-owned structures paid taxes, levies, and rental fees.

Contrary to the findings of similar studies in the global north, the main reason for the engagement of most participants in informal entrepreneurship rather than formal was not due to tax evasion or any other official deductions from their income in the first instance, but rather because it was the only way to survive or generate income. Hence, the participation of the vast majority is more of an adaptation of

popular means of community income generating practice and survival strategies, rather than avoidance of tax and inspection. For example, in the respondents' reasons for non-registration (see Figure 8.2), avoidance of tax and inspection actually had the lowest percentages. Similarly, only a handful of the respondents agreed that taxation deterred their formalisation (see Figure 8.3).

The low level of concern about tax and inspection was caused by firstly, an ineffective regulatory framework and failure to enforce tax payments; secondly, a generally low tax morality, owing to perception of corruption and a lack of trust in the collectors; thirdly, a feeling of inequity and injustice concerning the benefits derived from the public services; and finally, the inability of some to pay.

As discovered by the study informal associations play a crucial role in informal entrepreneurship practices and informal institutional associations are held with higher esteem and earn more recognition and voluntary loyalty at times over the state owing to poor performance of public institutions. This promotes their role in the regulation of the informal sector entrepreneurs and their activities in the context of ineffective formal institutions.

The study found that they perform quasi-registration of informal entrepreneurs by maintaining the register of all entrepreneurs in particular trades or occupations. They also have semi-formal institution-based relationships, such as market dealership and governance at times in conjunction with state agencies. For example, informal associations in Zamfara state are responsible for ensuring the smooth running of the markets and even keeping to formal regulations such as collection of revenue for the local government and levies for the state. The study further found that they are in charge of the governance of trading relationships and ensuring peaceful co-existence, especially in informal markets (NATA case in section 5.3.4 was a typical example). These types of relationships extend their use for quasi-regulatory arrangements by the state. The government uses the associations mostly in administration of rules and orders which concern their operations.

Despite the reported benign relationship between the informal entrepreneurs and state, the study found that the level of trust is weak, due to the lack of confidence in the government and its officials, mostly caused by perceptions of corruption and deteriorating public services (see Lyon and Porter, 2009; Meagher, 2005). An example was the leader of a family business refusing to allow any of the family members in the industry to grant interviews during researchers' field work, on the grounds of politicians' failed promises of assistance.

Notwithstanding an element of non-cooperation and weak trust relations with the state among some informal entrepreneurs, the study discovered that there exists some degree of cordial relationship between informal associations and state authorities, facilitating semi-formal or quasi-formal arrangements in the regulation of informal entrepreneurs. Even though they operate independent of the

state, a lot of collaborative relations exist between informal associations and the state. Often a cooperative and synergistic relationship prevails, except when the informal associations perceive the government as unfavourable or fear negative repercussions on their activities. Their collaborative relationship led to the kinds of quasi-regulatory arrangements mentioned in the previous section.

10.2 Informal entrepreneurs' motives

The evaluation of the motives of participants in the survey revealed that most participants were driven into the sector for reasons related to unemployment and subsistence, and the need for income growth and accumulation. Family tradition and job preference were also motives for starting-up informal entrepreneurial activity to a lesser degree.

Findings concerning the co-presence of motives and the likelihood of evolving motives over time are particularly novel in this context, as the issues have rarely been researched in Nigeria. Nearly two-thirds of the respondents indicated that they were driven into the sphere by other reasons in addition to the main motives, simultaneously. Informal entrepreneurs' motives may be altered, often from necessity to opportunity-driven. The study discovered that participants' reasons may have reflected unemployment and subsistence-driven motives at the initial stage but a later shift to income growth and accumulation, and job preference. A quarter expressed a change in their motives due to business growth and expansion, autonomy and independence, mostly experienced by erstwhile apprentices, contributing family members and the formally unemployed who eventually secured a formal job. It therefore reinforces earlier findings that reasons for participation may relate to more than one logic and do not remain static over time. Therefore, the study found support for the notion that motives for engaging in the phenomenon are multidimensional and hence beyond the simplistic dichotomous classification of necessity and/or opportunity-driven entrepreneurs.

The above findings therefore unearthed the growth potential of the informal entrepreneurial ventures. It is erroneous to write off their potential for future economic development, supporting the argument of many scholars (Hope, 1997; ILO, 2007; UNDP, 2004; UN-HABITAT, 2006; Williams, 2006) that need and subsistence-driven informal entrepreneurs appear to be a seedbed out of which income growth and accumulation-driven entrepreneurs emerge, which are catalysts for economic development. Conceivably, informal entrepreneurship is a promising breeding ground for the emergence of future formal entrepreneurs.

10.3 Variations in the characteristics and motives relating to different groups of participants

Evidence from an in-depth analysis of the characteristics and motives of the participants revealed that informal entrepreneurs varied, to some extent, in their character and motives for engaging in the endeavour, based on their socio-demographic and enterprise-level characteristics. These are briefly reported below.

With regard to gender, very interesting findings have emerged from this study. Men and women varied in their enterprise location, types of activities they engaged, enterprise ownership structure and desire to formalise their informal ventures. For example, with regard to types of activities, women dominated food-vending, local beverage, and confectionary production and other activities that were well-suited to their domestic responsibilities. Men concentrated on arbitrage and technical-oriented activities, such as mechanical repairs, building construction, etc. Some of the causal factors responsible for segmentation in the informal entrepreneurial activities, in addition to female familial roles, are the skills gap and the low level of educational attainment amongst female informal entrepreneurs, resource constraints, and culture (see Das, 2003; ILO, 2004; Ndemo and Maina, 2007; Rakowski, 1994; Yusuff, 2011). Regarding motives, women's rate of motives alteration suggested that women were more conservative and risk-averse in terms of taking important business decisions than men, while men had greater freedom compared to women in this regard.

In relation to age, older and younger participants varied in the choice of business location and type of business ownership which could be attributed to their experience and expansion of their business activities. The findings also suggested some variations in their motives. Younger people tended to be motivated by family tradition while the middle-aged were income-driven. In terms of dual motives, older entrepreneurs were more likely to have combined motives than the younger ones. However, the two generations did not differ with regard to alteration of initial motives for participation in the activity over time.

The study discovered that levels of education had an effect on the likelihood of venture formalisation. Also, higher educated informal entrepreneurs were less likely to engage in the activity owing to family tradition, unemployment, and subsistence-driven motivations but more likely due to income growth and accumulation-driven motives. On the contrary, participants without formal education were less likely to alter their initial motives.

As a consequence of socio-spatial differences, certain forms of informal entrepreneurial activities predominated in some districts but not in others. Similarly, their motives and rationales also varied. These caused variations in the activities and behaviours of the actors across different districts. With regard to their neighbourhood types, it was found that participants in the affluent districts were less likely to operate as street entrepreneurs than those in the deprived neighbourhoods. Again, variations existed in their income levels. Participants in the affluent districts were less likely to be in the lower income category than their counterparts in the deprived neighbourhoods, implying informal entrepreneurs operating in deprived communities tended to come from lower income groups. Surprisingly, there were no significant variations in the motives of the participants across neighbourhood types.

Employers among the surveyed participants, as the study revealed differed from own account holders in their business location and incomes received. The differences in their incomes levels could be attributed to factors such as capital investment differentials, types of commodities sold, and their general resource capabilities (see House, 1984; Tokman, 1989). Similarly, there were variations in their mode of entry into the activity. They were found to be more inclined to starting up their informal entrepreneurship through apprenticeship and less inclined than their own account counterparts to start up self-established informal enterprise. This is probably due to the fact that a sizeable number of employers in informal sector are engaged in production, manufacturing, and construction, requiring skills acquired through apprenticeship. Employers also showed no difference from their own account counterparts in initial motives for engaging in the activity. However, they differed in the combination of motives. Employers were found to have a greater tendency to co-pair dual and alter motives than the own account holders. This could be attributed to business successes attained by erstwhile need and subsistence-driven entrepreneurs who eventually transformed to income growth and accumulation-driven entrepreneurs as a consequence of their business fortune. To this group of participants, business growth and expansion were the major forces that influenced their shift in motives over time.

The study discovered some dissimilarity between formal/informal straddling and solely informal entrepreneurs in their location and income. They also exhibited variations in both the combination of dual motives and the alteration of initial motives over time. Solely informal entrepreneurs were more prone to combine dual motives and alter their initial motive than the straddling entrepreneurs. This is not unexpected, for two reasons. Firstly, the majority of sole informal entrepreneurs were subsistence-driven entrepreneurs and it has been empirically confirmed by many earlier studies (e.g. Williams, 2008; Williams et al., 2009, 2010) that alteration in initial motive was more common amongst requirement-based entrepreneurs than amongst income accumulation-driven ones because the transition is more often from subsistence to income growth-driven, though transition from income accumulation to subsistence-driven does occur in very rare cases. Secondly, most straddling entrepreneurs develop a particular mind-set and have predetermined motives before their decision to engage. As such they seldom change their motives as solely informal entrepreneurs whose engagement in the activity is predetermined by survival drives.

Regarding income levels, there were variations in gender, neighbourhood types, employment, and ownership status. Apart from income disparities, the study also found that the income status of entrepreneurs often reflected their motives and decisions. With respect to alteration in the initial motive over time, it was evident that a significant proportion of operators who had a shift in their initial motives were amongst the higher income earners. The reason for this was that the majority of the higher income earners were erstwhile lower income earners who had transited to higher income. As such they had experienced a shift in motives. On the other hand, the majority of the participants in

the lower income group were yet to transit from their initial motives, as their earnings capacity was still low and their activities at formative stage.

Informal entrepreneurs varied in their behaviour as a result of their firms' age. The study has provided some insight into variations between early-stage and mature entrepreneurs on what they cited as their initial motives and alterations therein. Regarding alteration of motive over time, early-stagers were less likely to have a shift in their initial motive than their established counterparts. This might have been a result of the inherent dissimilarities in their experience and expertise in the business, or due to the lifecycle stage of their venture.

Overall, the study has revealed that certain characteristics of informal entrepreneurs were more peculiar to specific groups. This was manifested in the character and behaviour of different groups of participants. It was then possible to argue that different groups exhibited different characteristics.

10.4 Insights on the drivers of informal entrepreneurship from the theories of informal economy and institutional theory

Given that the thesis adopted an eclectic theoretical approach of entrepreneurship, the assumption of the two theories—informal economic and institutional theories—were found to be relevant towards a comprehensive and nuanced understanding of the drivers and logics for engaging in informal entrepreneurship. What follows is the brief explanation of the insights from the two theories examined by the study.

10.4.1 Insights from the theories of informal economy/entrepreneurship

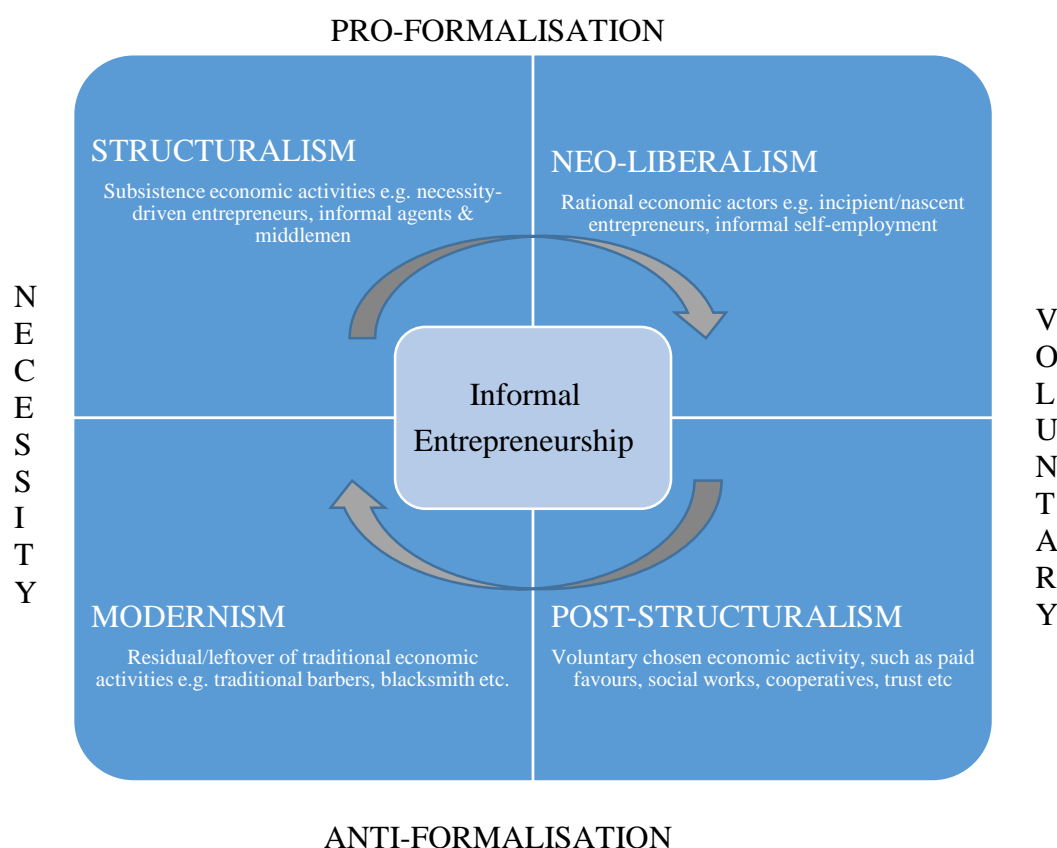
Examining the four theoretical perspectives of informal entrepreneurship, the thesis refutes the universal theorisation of the activity. Instead, it finds support with empirical evidence for an integrated approach towards explaining rationales for participating in the activity.

From a modernist perspective, the study found that the two sectors are not separate, independent, and distinct economic units, since a complex range of interrelationships and linkages exists between them and hence refuted the concept of dualism advocated by earlier studies (e.g. Boeke, 1961; Furnival, 1939; Hart, 1973; ILO, 1972; Lewis, 1954) and upheld Hart's (2001) assertion that dualism has outdated its usefulness. However, ancestral occupation and trades that are passed from generation to generation are still in practice and formed the reason for engagement of some participants surveyed. Some of the surveyed informal entrepreneurs therefore reflected historical legacy. This is valid in describing those whose reasons for engagement conformed to family tradition. These types were mostly engaged in traditional occupations, e.g. blacksmith, barbers, etc.

Even though structuralist and neo-liberal explanations were found to be relevant to a large percentage of participants, no single theoretical perspective fully captures the diverse and heterogeneous nature, of and different logics for, engaging in informal entrepreneurship in Zamfara state. Instead, integrated approach is required (e.g. Williams et al., 2012b) which interprets the four different perspectives in a form of matrix in which each logic represents the activity and rationale for participation of a particular group of informal entrepreneurs. Also, it should be recognised that an entrepreneur can combine two logics for engaging in the activity and can move from one particular rationale to another. This type of interpretation has espoused the multidimensional nature of the participants' rationales and it is possible that multiple logics for engaging in the activity will co-exist.

As this study has revealed, a more nuanced understanding of informal entrepreneurship can be achieved when various theoretical explanations are joined together through two types of conceptualisation: firstly, by viewing the array of activities on a spectrum that ranges from traditional occupations and subsistence economic activities to income-driven self-employment and voluntary social enterprise activity; and secondly, theorising the types of logic on a matrix that ranges from informal entrepreneurial activities driven by modernist (family tradition) and structuralist logics through to neo-liberal and post-structuralist reasons, with different mixtures and arrangements, emphasising one form or another as one moves along the matrix. Figure 10.2 depicts the matrix.

Figure 10.2: Matrix of logics for participation in informal entrepreneurship



Source: Configured by the researcher

As Figure 10.2 illustrates, each theoretical perspective of informal entrepreneurship focuses on different types of endeavour conducted under different logics and socio-economic circumstances. Therefore, reliance on a single explanation cannot achieve an in-depth explanation of the complex nature of informal entrepreneurship in Zamfara, Nigeria.

10.4.2 Insights from institutional theoretical assumptions

Notwithstanding the integration of different logics and a pluralistic approach focusing on the possibility of the co-existence of dual or multiple logics for an individual's engagement in the phenomenon, going beyond this is required for a richer explanation of the drivers and causes of the incidence of informal entrepreneurship. Hence, the thesis explored insights from institutional theory. As with the theories of informal economy, four different logics originating from neo-economic and sociological institutional approaches advocated by scholars were explored, i.e. formal institutional voids, formal institutional support asymmetry, legal pluralism, and cultural-cognitive and normative institutions. The study has unveiled valuable insights offered by these theoretical explanations on the drivers and forces for engaging in informal entrepreneurship.

The study has discovered that the institutions of culture, customs, norms, belief systems and trust, response behaviour and a shared understanding associated with them, play a significant role as drivers for engaging in informal entrepreneurship. These institutions exert a strong influence in shaping economic behaviour in general and entrepreneurial activity more particularly for people of Zamfara. Some of these features are manifested in the low rate of women's participation in market-like entrepreneurial activities, engagement for the cultural logic of family tradition, and for social redistributive logic, such as interest-free lending of capital and sharing of production resources at free cost among others. In addition, most of the entrepreneurs' activities are governed by rules and regulations of the respective associations they belong to. Social networks and trust exert a strong influence on both the behaviour and success of the entrepreneurs, suggesting a high influence of cultural values and customs, norms and general mores on the informal entrepreneurs' behaviour in the state of Zamfara.

Another logic with relative influence is legal pluralism. The co-existence of dual legal systems with different interpretations of the legitimacy of economic behaviour has contributed to the persistence of informal entrepreneurship in Zamfara. Many entrepreneurs tend to be more obliged to the traditional/religious legal institutional arrangements and structures than those of the state which are generally perceived to be foreign and enforced (Adele et al, 2015). In Zamfara, particularly, it has been found that at times, in addition to the state legal arrangements, religious ones are added as a complement, such as additional rules enforced on taxi drivers and tricycle and motorcycle riders apart from the traffic and safety rules.

The institutional voids perspective offers valuable insights on the causes of the prevalence of informal entrepreneurship. The drivers develop from the weaknesses of the state institutions and the poor quality of their services, the defective nature and inadequate enforcement of the rules of law. Public infrastructural decay is widespread, particularly in electricity and transportation, in addition to insufficient access to credit, formal financial and business support services, and poor and unstable economic policies. All these are manifestations of the absence of good governance, which fosters informal entrepreneurship in Zamfara.

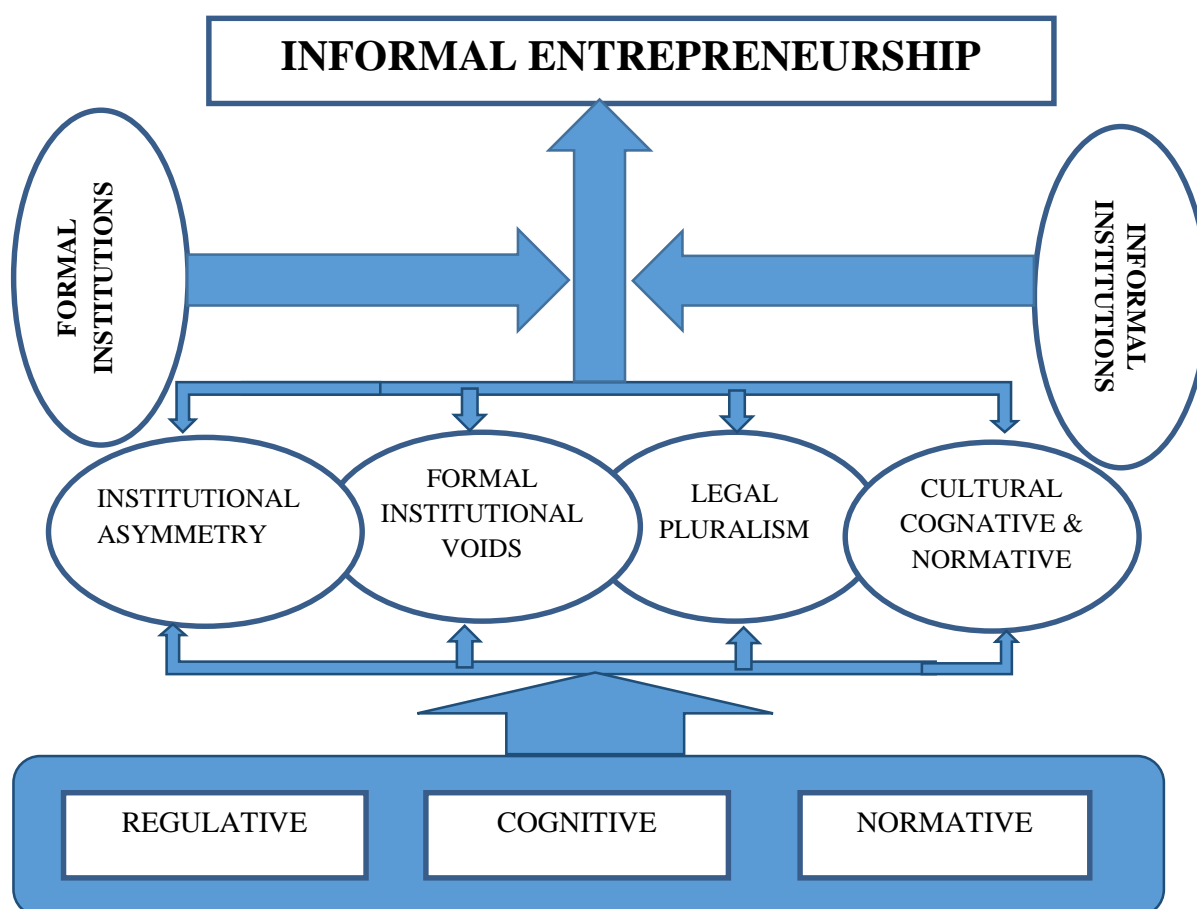
Institutional support and resource asymmetry, and high levels of incongruence and misalignment between the formal and informal sectors also contribute significantly in nurturing and sustaining informality among entrepreneurs. There is a degree of misalignment between formal rules and norms and informal socio-economic norms and cultural values, manifested in divergent views on what constitutes legitimate economic behaviour. The study has found evidence of a lack of formal institutional credibility, and mistrust of public authorities due to the perception of corruption resulting in contempt for formal regulations and a low tax morality.

The study supports the proportions of scholars that a deeper and comprehensive understanding of the drivers and forces for engaging in socio-economic phenomenon such as informal entrepreneurship requires an integrated approach of multiple logics and inter-institutional systems (Friedland and Alford, 1991; Thornton and Ocasio, 2008). Therefore, entrepreneurs' rationality and logic for engaging in informal entrepreneurship are shaped by the interplay of different institutional systems that work together to provide a context that drives people into the phenomenon.

The thesis therefore argues that both formal and informal institutional factors were drivers for engaging in informal entrepreneurship. The incidence of informal entrepreneurship was considered an economic activity with an embedded agency in which formal institutional voids and support asymmetry, co-existence of plural legal systems, and cultural-cognitive and normative structures exerted strong influence on entrepreneurs' behaviours and decisions. Therefore, drivers and forces for engaging in the activity are an outcome of the influence of an interconnected set of logics conjoined via inter-institutional systems operating in Zamfara. Empirical evidence suggested that incidence and persistence of informal entrepreneurship is a consequence of the combined influences of constraints, incentives, and resources provided by both formal and informal institutions; a context that drives individuals into informal entrepreneurship. While the effects of the informal are mostly synergistic by providing support, sharing resources and putting together efforts and instituting cultural values encouraging them, those of the formal are substitutive in nature by using alternatives or unconventional ways. The configuration of this connection between formal and informal institutional drivers (formal institutional voids and support asymmetry, and plural legalism and cultural-cognitive and normative practices) supported by Scott's (2014) three institutional pillars is depicted in Figure 10.3 below.

As illustrated, the drivers to and prevalence of informal entrepreneurship are a product of both formal and informal institutions that produce the four institutional drivers for informal entrepreneurship in the form of institutional support asymmetry, institutional voids, legal pluralism and cultural cognitive and normative orders which stemmed from institutional pillars (regulations, cognitive, and socio-cultural practices and norms).

Figure 10.3: Inter-institutional systems & multiple logics of drivers to informal entrepreneurship



The study found that individual rationales and logics for engaging in the activity were shaped by the interplay of these inter-institutional systems as well as orders prevalent in society in order to gain acceptance and legitimacy. It also helps to avoid constraints and enhance access resources and incentives provided by informal institution. The drivers from formal institutions stem from ineffective public services and absence of incentives. As established by the study, culture, trust and norms shaped the practices of many informal entrepreneurs. These were revealed in their reported reasons for engaging in the activity and in the conduct of the activity. At times, dual legal institutional provisions operate simultaneously. For example, some of the operators were regulated by the provision of both formal and informal (traditional) legal institutions. From the formal institutional perspective, the study discovered that many informal institutions were filling the gaps left by formal institutions as a result of weak formal institutional services. Pertaining to formal institutional support asymmetry, evidence from the study shown that informal entrepreneurs were not receiving required level of attention from the government.

10.5 Policy issues, improving operating conditions, and encouraging voluntary formalisation

Despite their numerous challenges, the informal entrepreneurs' relationship with the state was considered to be benign and friendly by the majority of the participants. Those with contrary views constituted operators in certain locations in urban centres, often regarded as a nuisance and therefore harassed by law enforcement agents, without the provision of alternative locations. It was also evident that a considerable majority lacked awareness of, and information on, the need to register their business activities and many were operating without any licences or permits. From amongst the licensed ones, most had obtained their licences/permits from their professional associations.

Regarding policy, there was no specific one for informal sector enterprises. Instead, they were lumped together under the Micro, Small, and Medium Enterprises (MSMEs) policy (see Abumere et al., 1998; SMEDAN/NBS 2012). As a consequence, no public established stand-alone institution exists to oversee the affairs and address the problems of the sector, so it is difficult for the operators to access any institutional support. Most of the participants complained that they lacked support from government and many were not aware of any federal government support programme or projects. Similarly, a very significant proportion of the participants suffered from inadequate supply of basic infrastructural services—particularly electricity, water, and transport. Other constraints included a lack of access to credit (both initial and working capital), limited training opportunities, multiple taxation, and socio-economic insecurity (armed robbery and Boko Haram) (see Figure 8.8). These problems, in one way or another, limit production and income earning capacities of participants in the sector.

Apart from those constraints emerging from an institutional (policy) operating environment, the study has found other challenges stemming from low levels of organisational skills and inadequate record-keeping. The operators were found to have very low levels of organisational skills. As such, a distinction between the business and its owner was shallow and superficial (Harris-White, 2010; Naldi et al., 2007; Palmer, 2004; van Elk and de Kok, 2014). There were also issues connected to corruption (see Figure 8.9) and the ineptitude of some government officials entrusted with the responsibility of disbursing business development loans, as the study found. As a consequence, many new and viable entrepreneurs were denied support in favour of relatives, friends, and those who could afford to give up part of the loan as a bribe for the officials (Ladan, 2013). Corruption and 'god-fatherism' can therefore deny those in need or qualified to access loans and assistance.

Such attitudes, e.g. failure by politicians to provide assistance and support as promised during election campaigns, have created mistrust between participants in the sector and the politicians. Likewise, suspicion of the government officials is very high amongst informal entrepreneurs due to alleged favouritism and corruption. Generally, there is distrust between the informal entrepreneurs and the government because of its unfulfilled promises and mistrust arising from taxation, due to the poor

services offered by the government as a return for taxes paid. Consequently, they look at government agencies and officials with suspicion, which discourages the formalisation bid of many informal entrepreneurs because their effort to access government incentives are either denied or frustrated.

The study found that more than half of the surveyed informal entrepreneurs were of the opinion that there are benefits to formalisation; as such they have a desire to formalise their business activities. Inhibitors to formalisation included lack of incentives and benefits for undertaking the process of formalisation, lack of awareness and information, and too many registration requirements, according to the participants. On the other hand, access to loans, simplified registration requirements, adequate supply of infrastructural services, and favourable tax regimes featured prominently amongst the list of facilitators to formalisation, as the study found.

Regarding the measures for improving conditions and encouraging voluntary formalisation of the informal entrepreneurs surveyed, findings that have emerged from the quantitative responses of the participants included the need for functional public institutions, lowering the cost of doing business (simplifying registration), a favourable tax regime (devoid of multiple taxation), improving infrastructural service delivery, skills acquisition and upgrading, awareness creation and access to information, improving access to credit, provision of incentives and benefits for formalisation, improving access to business development services, and encouraging both forward and backward linkages between the formal and informal sectors. Other measures from the inductive responses comprised the following: establishment of a credit guarantee scheme, provision of occupational safety and health (OSH), establishment of business clusters, enterprise zones and approved locations, recognition by the government, encouraging and supporting informal entrepreneurs to form member-based associations and cooperative societies, and tackling security challenges.

Evidence from the study showed that of all the obstacles faced by the informal entrepreneurs, lack of financial resources and access to credit facilities are the most serious challenges, as also reported by several earlier studies (e.g. UN-HABITAT, 2006a). This is because financial resources are the most crucial requirements for any enterprises. These are more serious, particularly to informal entrepreneurs, as most could hardly meet bank borrowing requirements, due to a lack of collateral assets. The problems were compounded by the financial incapacity of MFIs that grant group/community-based lending or co-guarantees of members of borrowers' associations to adequately serve all their requests consequent upon its high volume. This left them in a financial dilemma and explains why most of the informal entrepreneurs faced financing difficulties.

To address these constraints, barriers, and obstacles, the study proposes a strategic policy framework which might help in improving the operating conditions of the entrepreneurs, facilitate the growth of their ventures, and encourage their voluntary and gradual transition to the formal sector.

10.5.1 Proposed strategic policy framework for improving the operating conditions and encouraging the voluntary and gradual formalisation of informal sector entrepreneurs

As can be appreciated from the empirical evidence reported in Chapter Eight, particularly in Section 8.4 on policy measures to improve the operating conditions and facilitate the voluntary formalisation of informal entrepreneurs, a combination of policy measures and approaches has to be formulated in order to ensure that the Nigerian business environment in general and Zamfara state in particular is improved for informal enterprises growth and transition to formal sector.

The study demonstrated that informal entrepreneurs in Zamfara are faced with a number of challenges and obstacles to the growth of their enterprises. To address these barriers and thereby hopefully improve the conditions of the operators in the sector and facilitate their growth and encourage voluntary transition to the formal sector, certain new policy measures need to be put forward. Moreover, public policies on the sector had recently been altered in many countries from persecution in the urban centres towards improving their conditions (Mwega, 1991), and facilitate and encourage transition to the formal sector (Sepulveda and Syrett, 2007; Williams et al., 2012a). This study therefore proposes a strategic policy framework for improving conditions among operators in the sector in order to facilitate the growth of their firms and encourage their voluntary transition from informality to formality.

The transition of informal entrepreneurs is of course a desired goal and forms part of the government's and development partners' agenda for promoting decent economic endeavours (ILO, 2009) for human development, economic growth, and sustainability. Therefore, from this perspective, voluntary formalisation of some informal entrepreneurs is desired as a mechanism to enhance their contribution to overall economic development.

The framework incorporates strategies to promote micro-entrepreneurship development in order to accelerate economic development. The aims of the proposed measures and approaches are firstly, to improve the operating conditions of participants in the sector and, secondly, to facilitate and encourage their voluntary and gradual formalisation. It is hoped that this would result in an increase in the number of formal micro and small-enterprises, some of which would grow to become future medium enterprises or possibly even larger firms.

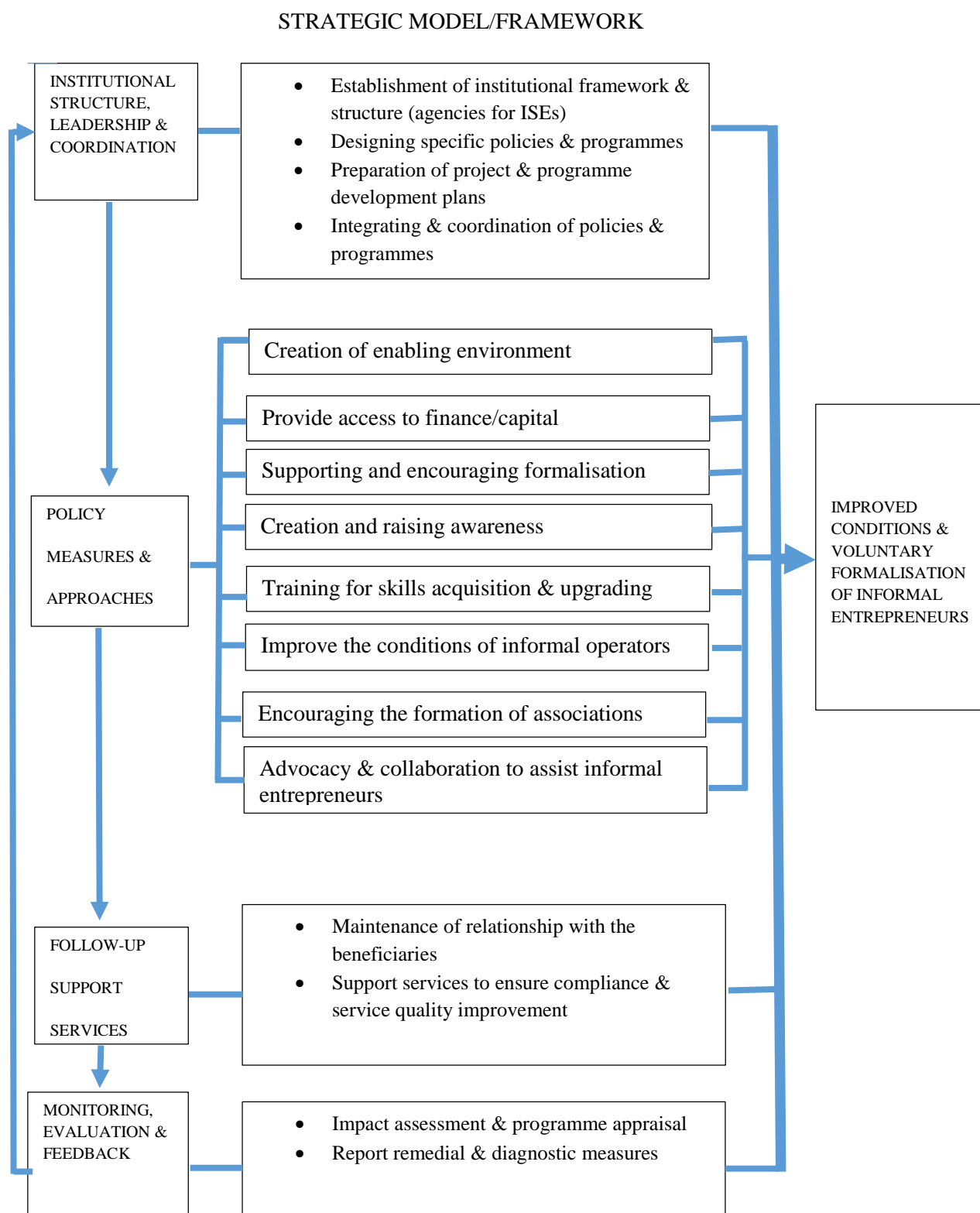
A number of authors have developed different models in both developed and developing countries on how to improve informal sector enterprises, address some of their challenges to facilitate and encourage their transition to the formal sector (e.g. Dellot, 2012; ILO, 2009; Stevenson and St.-Onge, 2005). Following these, the current study has developed a similar model. The model has four components each with required lines of actions to be taken for effective implementation and accomplishment of its objectives. The first stage is establishment of an institutional structure (legal

framework and agencies), with functional leadership and coordination. This is followed by development of policy measures and approaches. For effective implementation of these policy measures, follow-up support services are vital. They form the third stage. The last stage involves monitoring, evaluation and feedback to the established institutions and agencies for remedial actions in any of the components of the framework or implementation process. The arrows indicate the cyclical nature of the four stages and how the various activities are connected to produce the required outcome (i.e. improved operation conditions and voluntary formalisation of informal enterprises).

The model is populated with empirically-driven measures and approaches that could improve the conditions and encourage voluntary and gradual transition of informal entrepreneurs to the formal sector. The measures contained in the framework were supported by the research participants. All the proposed policy measures and twenty-seven approaches to effectuate them, with the exception of advocacy and collaboration to assist informal entrepreneurs, received support from more than fifty percent of the respondents (Fig. 8.2-8.10). However, government institutional structure for informal sector enterprises is included in the framework despite receiving support from only one-third of the respondents, because without a sound structure, policy measures are unlikely to be effective. Similarly, the components of improving conditions and formation of associations were derived from inductive responses (Fig. 8.10). It should be borne in mind that improving operating conditions and facilitating and supporting the voluntary formalisation of informal entrepreneurs is not a single step but an on-going and gradual process that involves multiple steps and different interrelated actions, focusing on different dimensions, and extending various benefits and incentives to informal entrepreneurs (Chen, 2012; Sepulveda and Syrett, 2007). The model is presented below along with the policy implementation procedures.

The strategic model is a chain of interrelated measures and approaches that are meant to be implemented in forms of multiple strategies. Since informal sector entrepreneurs are heterogeneous and span an array of economic activities, developing a policy model to cater to this diversity requires long-term and diverse measures and approaches. Public policy development in the sector needs to act on several fronts simultaneously (Fajnzylber, 2007). Consequently, improving conditions and encouraging the voluntary transition of the participants to the formal sector is likely to require a combination of different and multiple forms of best practices. Furthermore, formalisation should be seen as a gradual journey through which each individual informal entrepreneur follows his/her own path towards regularisation (Barbour and Llanes, 2013a).

Figure 10.4: Strategic framework for improving the operating conditions of informal entrepreneurs



Source: Configured by the researcher

As it has been established that even in the advanced western economies (e.g. United Kingdom) the provision of support, particularly formalisation services and support to informal businesses, has increased the rate of business regularisation (Barbour and Llanes, 2013a), it is expected that adoption of this proposed policy framework would provide wider coverage of support services and attend to the needs of the diverse informal entrepreneurs, focusing on major activity domains of enterprise and industrial development, along with finance and occupational safety and health. The proposed policy framework is also meant to address challenges and constraints from different perspectives concurrently, so as to avoid falling into the trap of adopting a one-size-fits-all approach, which is considered to be inappropriate policy for tackling the problems affecting the sector (ILO, 2009; UN-HABITAT, 2006a)

The proposed policy framework consists of a number of measures and approaches that are meant to improve the business environment by way of improving the provision of services that are currently insufficient or not provided to informal entrepreneurs. Effective implementation would however require improvements in the quality of governance which can help in restoring confidence in authorities. The differentiated approaches in the framework are intended to meet the diverse needs of the operators in the sector.

If these sets of measures and approaches were implemented vigorously, informal entrepreneurs' conditions, efficiency and productivity would probably improve, and Nigeria would eventually have a large number of small-scale formal industries and enterprises and a small number of informal ones, as in advanced western economies. With the support of critical resources, incentives for formalisation, favourable regulatory policies characterised by a desirable legal, institutional and working environment, informal entrepreneurs could become drivers shaping future economic development in Nigeria, just as the Asian tiger economies are now reaping the benefits of nurturing cottage and micro-enterprises. Meanwhile, history provides supporting evidence that evolution of the business over the world started informally and that informal entrepreneurship can act as a breeding ground for successful dynamic entrepreneurs and private sector development (Morris, et al. 1997; Seibel, 1996a). Indeed, a number of erstwhile informal entrepreneurs are today's formal business owners. This argument is well supported by the concept of the informal entrepreneurs' continuum from lower-tier to upper-tier (Fields, 1990).

The adoption of the framework would yield a number of advantages, such as keeping to a minimum required environmental and occupational safety and health standards; enhancing potential income opportunities of the operators; improving operators' access to loan facilities as they become more organised; improving opportunities to secure government contracts; enhancing acquisition of legal titles and property rights; and providing additional sources of revenue to local councils through the

payment of taxes (Ladan, 2014). With informal entrepreneurs' ingenuity, this will improve their productivity and incomes, vis-a-vis their quality of life and personal safety, and foster their integration and transition into the formal sector.

For the successful implementation of the model, the ministry of commerce and industry in conjunction with ministry of finance and economic planning, and ministry of health would produce a draft policy on informal sector enterprises contain therein the three new agencies for adoption in Zamfara state. The draft would need to be passed into law by the state house of assembly as part of its legislative roles. The purpose is to effectively provide adequate support services to existing and emerging informal entrepreneurs and accelerate the regularisation of the existing and guide the emerging ones to start-up effectively. The three proposed agencies are: Zamfara Enterprises Promotion and Development Agency (ZAMSEPDA); Zamfara Small Industries Development Agency (ZAMSIDA); and Zamfara Directorate of Occupational Safety and Health (ZAMDOSH). The Zamfara Poverty Alleviation Agency (ZAPA) needs to be modified to provide credit guarantee services. The Ministry of Commerce and industry should serve as the coordinating ministry, in conjunction with Ministry of Health for ZAMDOSH, finance, and budget and economic planning, in the case of ZAPA.

Since the formalisation of all participants in the sector is unrealistic, to enhance the contributions of the sector to economic development, some intervention measures to reduce the barriers to the growth of informal firms to increase the rate of informal entrepreneurs' voluntary formalisation are required. Moreover, scholars, donor agencies (e.g. ILO, 2009, UN-HABITAT, 2006a & b) and analysts have put forward strong arguments in favour of provision of government intervention for ISEs, particularly, provision of information, support services, training and infrastructure. With the absence of existing institutional structures specifically meant for informal sector enterprises in Zamfara and the reported acute shortage of services to informal entrepreneurs as demonstrated by the survey, the need for specific institutions for the sector is evident. This, coupled with the examples of best practices from other developing countries in reducing the barriers and encouraging voluntary formalisation through the establishment of dedicated institutions for ISEs form the basis and rationale for the setting up such types of institutions in Zamfara. For example, the Indian government in 2004 established National Commission for Enterprises in the Unorganised Sector (NCEUS), in Durban South Africa, the municipal government has established Manufacturing Advice Centres and Ntsika Enterprise Promotion Agency to attend to the needs of the informal sector enterprises (UN-HABITAT, 2006a).

Apart from establishment of agencies, a number of developing countries have introduced policy measures focusing on specific areas to encourage voluntary formalisation of ISEs. For example, Brazil, Mexico, Peru, Tanzania on simplifying registration, India, Indonesia, Kenya, South Africa, Thailand on infrastructure, China and Thailand on finance and Sri-Lanka on incentives (see Becker,

2004; de Mel and de Kok, 2014; Fajnzylber, 2007; UN-HABITAT, 2006a). All these institutional structures, policies and support services are aimed at improving the conditions by increasing services to informal sector enterprises (ISEs) and reducing barriers to voluntary formalisation.

In Zamfara, ZAPA is the only existing structure that is meant to provide financing for SMEs. In addition to a need for improvement of its services, there are other key support services such as training, skills acquisition and upgrading, and occupational safety and health (OSH) required by the operators in the sector which ZAPA does not currently cater to. Hence, the need for the creation of additional institutions for ISEs. The specific institutions will contribute towards improving the conditions of informal entrepreneurs which could potentially lead to growth of their firms and encourage some to voluntarily formalise their enterprises. Moreover, it has been argued that informality is a ceiling to enterprise growth (USAID, 2005) as it denies entrepreneurs access to vital services such as information, formal institutional financing, business services and formal markets. It has also been widely argued that informal firms' growth could lead to formalisation (e.g. Becker, 2004; Nelson and Bruijn, 2005; USAID, 2005).

The establishment of these agencies is meant to give a wider coverage of the support services and to attend to the needs of the diverse informal entrepreneurs, focusing on major activity domains of enterprise and industrial development, along with finance and occupational safety and health. The proposed agencies are also meant to address the challenges and constraints of the sphere on several fronts at one time.

The functions of ZAMSEPDA is to provide entrepreneurial support services, commercial and general business development services to informal entrepreneurs in the service sector, while ZAMSIDA is to provide more technical services and special advices on technology sourcing and acquisition, and transfer of knowledge and technology for informal entrepreneurs in the manufacturing sector. It is also to oversee the management of industrial zones and clusters. ZAMDOSH, in conjunction with ministry of health, would provide occupational safety and health services in forms of training, awareness creation and campaigns for participants and the general public. The functions of the modified ZAPA would include sourcing for finance and provision of credit guarantee services to informal entrepreneurs, especially those with good ideas but no capital to follow through effectuation. The combined effects of these services would contribute towards improving the conditions and rate of formalisation of informal entrepreneurs in the state.

Barriers to effective implementation of the model might stem from inadequate funding and supply of operational facilities for logistics and other services, and socio-cultural attitudes in forms of resistance to change. For effective working of the agencies, the funding should be adequate and sufficient facilities and resources should be made available by the government. With regard to socio-cultural

barriers that might inhibit formalisation in forms of resistance to change caused by factors such as sticking to old ways of doing business, ignorance of the benefits or distorted information or lack of awareness on the need to formalise a business undertaking, and fear and being scary about change (Meagher, 2007; Raimi, 2015; USAID, 2005). These will be reduced through effective consultation with informal entrepreneurs' associations and enlightenment and awareness creation about the benefits of formalisation. Other measures that will be employed are integration, liaising and dialogue between informal entrepreneurs associations and government officials. These have the potential to amass support of the informal entrepreneurs associations by helping in the development of implementation strategies together which can enhance understanding and build trust and strengthen confidence on both sides. In addition to these, the institutions need to be made more accessible and close to the entrepreneurs.

The potential impediments to the successful implementation of the framework may arise from a lack of proper coordination of the activities of the institutions, poor implementation of policy approaches, corruption in the government official, poor monitoring and evaluation, and lack of quality control. The most serious potential impediments could arise from coordination as a result of disintegration of functions and lack of cooperation and synergy among the four agencies and their parent ministries. To avoid unnecessary duplication of functions and to ensure proper coordination of the activities of the agencies, the scope and roles of each agency must be clearly outlined and instituted. This way, the functions of the ancillary agencies (ZAPA and ZAMDOSH) are complementary as opposed to having different focuses and directions. While ZAMSEPDA focuses on service, ZAMSIDA centres on manufacturing sector. Quarterly meetings to ensure policy coherence and consistency across the four agencies are part of the implementation and operational strategies. Since all programmes require monitoring and evaluation for effective performance and goal achievement (Wholey and Hatry, 1992), regular monitoring of services quality and results achieved becomes necessary. Follow-up services, monitoring, evaluation and feedback inbuilt in the framework are meant to provide this services. Quality control and appraisal through programme impact assessment and provision of diagnostic measures to implementation problems and poor results (outcomes) of an approach or policy measure is to be ensured. Therefore, regular assessment of programmes results (achievements and hitches) is part and parcel of implementation process because its absence often renders policy or approach ineffective. In this manner, the performance of the four agencies (ZAPA, ZAMSEPDA, ZAMSIDA and ZAMDOSH) is to be monitored regularly and the achievements and hitches of their services reported as feedback for necessary remedial actions. Although the agencies are autonomous, they are to be supervised by the parent ministries for effective performance management and quality control of their services. These measures would ensure effective performance management and progress monitoring of the effectiveness of the policy framework.

The most essential and fundamental requirement is to establish a sound and functional institutional structure that will ensure effective leadership, policy implementation and coordination, follow-up support services, performance monitoring and feedback for remedial action. Such an institutional structure will help ensure effective leadership and coordination of the functions of various organisations involved in policy formulation and implementation. This is because the various policy measures proposed to meet the needs of different groups of participants could hardly be effective without better coordination. Coordination of the actions of the various organisations, institutions and agencies (governmental and non-governmental) would potentially reduce duplication of functions and improve synergy amongst them which would facilitate cooperation amongst agencies and ensure proper monitoring and evaluation on programme performance. Overall, it will eliminate policy inconsistency within the system. This requires concerted efforts from the ministries of commerce and industry, economic planning and health in order to pool together the expertise needed to improve the conditions of the entrepreneurs to encourage their voluntary transition to formal sector. The details of the approaches to aid the implementation of the policy measures are shown in Table 10.1 below.

Table 10.1: Details of the components of the strategic model for improving the operating conditions of informal entrepreneurs

POLICY MEASURES	APPROACHES
Improving institutional framework, structure & policy coordination	<ul style="list-style-type: none"> • Establishment of legal framework and institutional structure • Integrating and coordination for improving synergy amongst the supporting agencies
Creation of enabling environment	<ul style="list-style-type: none"> • Introducing more favourable policies for ISEs • Reducing the cost of doing business • Simplifying business registration requirements & procedures • Improving the functionality of infrastructural facilities
Provide access to finance/capital	<ul style="list-style-type: none"> • Improving access to subsidised loans • Provision of business development grant/intervention loans as seed capital
Supporting and encouraging formalisation	<ul style="list-style-type: none"> • Establishment of credit guarantee scheme for ISEs • Provision of incentives and benefits for formalisation • Recognition of ISEs by government, such as award of contracts and so on • Provision of ISEs support services
Creation and raising awareness	<ul style="list-style-type: none"> • Increasing sensitisation and public enlightenment on the benefits of formalisation • Value orientation for attitudinal change • Provision of advisory services on business registration and application for loans
Training for skills acquisition & upgrading	<ul style="list-style-type: none"> • Provision of training opportunities for capacity building and empowerment • Provision of business development services • Provision of entrepreneurship education
Improve the conditions for informal entrepreneurs	<ul style="list-style-type: none"> • Provision of occupational safety & health (OSH) services • Tackling extortion, demolition & harassment, and eschewing all forms of discrimination and bias against informal entrepreneurs • Provision of approved business and industrial locations, zones and clusters & ensuring property rights
Encouraging the formation of trade & occupational associations	<ul style="list-style-type: none"> • Encouraging the formation of cooperatives and partnership • Promotion of informal entrepreneurs' networks & associations
Advocacy & collaboration to assist informal entrepreneurs	<ul style="list-style-type: none"> • Encourage forward linkages with the formal sector • Collaboration with private sector and donor agencies to assist the operators • Funding collaborative research to identify and appreciate the problems of the sector • Call for support and assistance for the participants

Source: Fieldwork, 2012 (Researcher's compilation from interviewees' responses)

For the above measures and strategies to be effective, the government must exert concerted effort to remove all forms of discrimination and ensure enforcement of contracts and recognition of informal

entrepreneurship as an ‘economy-in-information’ (Aigbe, 2014) and therefore as a partner in development. The establishment of trust and mutual understanding between government officials and informal entrepreneurs would be vitally important to the government’s bid to stimulate and encourage voluntary formalisation. The authority needs to establish a basis of trust and build confidence among the participants to eliminate the uncertainty, mistrust and the lack of confidence surrounding their relationship. This might encourage reacting to the call for formalisation of informal entrepreneurs by the government (see Djankov et al 2003; Enste 2003).

Notwithstanding the rationale behind the formalisation of informal entrepreneurs, it is equally vital to understand that it has different implications for different categories of participants. It should then be understood that it could have positive as well as negative consequences on economic development, depending on the type of participants it targets. There is, therefore, a need for caution, so that attempts to formalise informal entrepreneurs do not actually increase informality. Policies to formalise informal entrepreneurs should be centred on mutual benefits between the authorities and informal entrepreneurs and avoiding the destruction of fledgling enterprises, making livelihoods difficult for the majority of the people in favour of maintaining zoning, a city’s structures, and increased revenues. Considering these factors, the thesis argues for the voluntary and gradual transition of informal entrepreneurs to the formal sector. This is because, in Nigeria, informal entrepreneurship has assumed the role of mainstream entrepreneurship in employment generation and the provision of income opportunities for the larger population. Therefore, a formalisation policy should be focused on certain groups of participants, since not all types of informal entrepreneurs can cope under formal arrangements. Some cannot fit into the formal sector, due to their inherent nature. For these types, “Do nothing” is recommended as a policy option.

It is worth noting that policy measures that focus on eradication can hardly yield positive outcomes when dealing with informal entrepreneurship, because this may do more harm than good, aggravating poverty and unemployment and increasing the rate of crime and economic dislocation. Secondly, it would discourage entrepreneurship and the enterprise culture which springs from an informal business formation and private sector development in general, which the government wishes to nurture. However, facilitating voluntary formalisation as a policy option will help in driving home significant benefits to both the participants and the government: for the government it would serve as a source of increasing revenue, while for the participants it would improve their access to critical resources required for their business expansion and development.

Given the influence of socio-cultural and normative institutions in the practice of informal entrepreneurship in Zamfara, policy makers need to take account of this when formulating policy on the sector. Institutional changes generally would be more likely to succeed when aligned with local

customs and practices. The alignment between the formal and informal institutions will provide support to former. This might have the advantage of establishing trust and mutual understanding between the government and informal entrepreneurs.

10.6 Summary of research findings

Informal entrepreneurship is an integral component of economic activity in Nigeria. Contrary to some economists' beliefs in the 1950s and 1960s, the sector shows no signs of withering away. On the contrary, the rate of participation remains very high and for many the informal entrepreneurship serves as the main source of income.

It was also found that informal entrepreneurship is quite diverse and highly heterogeneous, cutting across a wide range of socio-economic activities, with participants belonging to different social strata. Own account and subsistence entrepreneurs formed the majority of participants. However, some had the capacity to employ paid workers. Still others relied on family members and apprentices as labour supplements. The study has found an absolute reliance on informal financial institutions, such as personal savings and loans and assistance from family, friends, and relatives and extreme use of trade credit as a method of financing. Another major finding was that participants were regulated, although informally, through their informal associations.

The study found that none of the four main theories associated with informal economy literature provides a wholly satisfactory means of understanding the different drivers for participation in informal entrepreneurship in Nigeria, Zamfara state in particular. The explanatory power of each theory varies according to the type of informal entrepreneurship being considered. A better understanding from these distinct theoretical perspectives requires an integrated approach. Institutional theory provides a basis for developing a more comprehensive understanding of the complex nature of informal entrepreneurship in Zamfara. Insights from the institutional theory suggest that a holistic picture of the phenomenon is only plausible via inter-institutional systems configuration.

The empirical findings revealed that participants were largely subsistence and income-driven followed by those conforming to the logic of family tradition. Mainly job preference accounted for the lowest percentage. The study has also found that motives can change over time and that entrepreneurs often have a co-presence of dual motives simultaneously for engaging in informal entrepreneurship.

Consequent to differences in socio-economic environment, certain types of informal entrepreneurial activities predominated in some areas and not in others. In the same way, their characteristics and motives also varied, bringing variations in the activities and behaviours of the participants across different socio-economic strata. It was found that certain characteristics of informal entrepreneurs

were more peculiar to some specific groups of participants than others. As such, different groups of the participants were found to exhibit differing characters, motives and rationales.

With regard to the policy environment, informal entrepreneurs operated under poor conditions, unfavourable and discouraging environments with an acute lack of access to critical resources, particularly capital and infrastructural facilities, which limited their productive and earnings capacities. In terms of support, the study found that the majority of informal entrepreneurs needed to be supported with simple regulatory policies devoid of restrictions, access to low cost capital, and efficient infrastructural services, particularly electricity. Just as their characters and motives varied, informal entrepreneurs varied in the type of support they required, in relation to their types of entrepreneurial engagement, stage of development, and level of sophistication involved in carrying out their entrepreneurial activities.

CHAPTER ELEVEN: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

11.1 Summary

The survey, as reported in the preceding chapters, provides a comprehensive picture of the nature and characteristics of informal entrepreneurship in the region. It also explores the insights from the theories of informal economy and institutional theory and evaluates the motives for engaging in the endeavour. This is in addition to exploring the nature of the institutional and operating environment, and the challenges and barriers to voluntary formalisation. The objective has been to assist in exploring the nature and operational characteristics of the participants and to identify significant trends in the context of theorisation of the phenomenon and for informed public policy decisions on the sector in Nigeria in general, and Zamfara state more specifically.

This study departs significantly from earlier studies in Nigeria of the informal economy in general and informal sector entrepreneurship in particular, which have tended to focus generally on the socio-economic perspective of the phenomenon. Few studies have been carried out from an institutional perspective and very few have focused on informal entrepreneurs' motives and decisions. This study explored certain aspects of socio-economic characteristics and institutional features of informal entrepreneurship in order to aid understanding of the motives for engaging in the activity. An understanding of these issues might assist in advancing policy measures and approaches that could improve participants' operating conditions and facilitate and encourage their voluntary transition to the formal sector.

The study was undertaken to answer four broad research questions: What is the nature and character of informal entrepreneurship in Zamfara state? What are the motives for engaging in informal entrepreneurship? What characteristics and motives relate to different population groups of the participants? What policy measures could improve the operating conditions and encourage voluntary formalisation of some entrepreneurs in the sector? The research conclusions are drawn on the basis of these questions.

11.2 Conclusion

The research set out to evaluate informal entrepreneurship in Zamfara State, Nigeria. The study has presented the nature, character and motives for engaging in informal entrepreneurship. The characteristics and motives that relate to different groups of participants were analysed. Adopting an eclectic theoretical approach, the study has explored insights from three prominent theories (informal economic and institutional theories and theory of motives of informal entrepreneurship). It has also analysed the operational conditions and the relationship between the participants and the state. Finally, it has identified policy measures and approaches that might help to improve the operating

conditions, facilitate informal firms' growth and encourage voluntary formalisation of informal entrepreneurs operating in the sector.

The thesis has argued that informal entrepreneurship constitutes an integral part of economic activity in Zamfara. It dominates the enterprise landscape in the state and the country in general and plays a significant role in terms of job creation, local skills acquisition and development, income generation, production of goods and services, and contributions to GDP. The activity occupies a prominent position in economic development discourse because it has implications for the survival and livelihoods of the majority of citizens and a strong link with entrepreneurship and enterprise development.

The thesis has also demonstrated that informal entrepreneurship is heterogeneous and pervasive in nature, with participants cutting across different economic sectors and activities, traversing many classes of contemporary social structure. The conclusion is that, unlike paid informal employment, which is mostly engaged in due to a lack of alternatives, informal entrepreneurship is a mixture of historical legacy, a struggle for subsistence and opportunity exploitation.

The thesis also affirmed that, as informal entrepreneurs' activities vary, so too do their motives for engagement in the endeavour. The thesis supports the notion of multidimensional-driven motives of informal entrepreneurship. Therefore, entrepreneurs are driven into the activity for different motives beyond the simplistic presentation of necessity and/or opportunity and there could be co-presence of dual motives simultaneously and the likelihood of alteration from the initial motives to other motives over time.

With regard to the theorisation of the phenomenon, the four informal entrepreneurship theories explored have brought relevant insights for the understanding of the drivers of informal entrepreneurship in the context of Zamfara. However, some explanations are more relevant to some groups than others. Consequently, no single theoretical explanation fully captures all the forms and types of informal entrepreneurship activities observed. Instead it is only by combining the four perspectives through an integrative approach that reasons for engaging in the informal entrepreneurship can be fully understood. The thesis further argued that, for deeper and comprehensive understanding of the drivers of informal entrepreneurship to be achieved, it is necessary to move beyond the theories of informal economy and incorporate insights from institutional theory is required, in particular the interplay of inter-institutional systems rooted in both formal and informal institutions. Cultural-cognitive and normative structures, plural legal systems, formal institutional voids and support asymmetry constitute the drivers for engaging in informal entrepreneurship in Zamfara, Nigeria.

The thesis further argued that policy and measures to improve conditions, facilitate the growth of informal firms and encourage voluntary and gradual formalisation of informal entrepreneurs, should focus on different issues and directions simultaneously, using a combination of multiple forms of best practices from other countries (developing countries in particular). It is concluded that encouraging voluntary formalisation is a good policy option in Zamfara, particularly with the declining oil revenue that constitutes a substantial percent of the government's source of revenue.

The government policy responses should proceed from an exploration of the necessary and sufficient conditions that are required in order to facilitate informal entrepreneurs' voluntary regularisation. In this direction, the study has proposed a strategic model comprising nine integrative measures to improve the operating conditions, and facilitate the growth of informal firms and encourage voluntary formalisation of the operators in the sector. The study concludes that the proposed measures and approaches cannot be effective in the absence of government commitment and coordination of the functions of various institutions with concern at all levels of governance and the involvement of informal associations.

11.3 Research contributions

Previous research in the informal economy in Nigeria has centred on a socio-economic perspective. Very few studies have investigated the institutionalist perspective and even fewer have been carried out from a behavioural perspective (decisions and behaviours of the participants). This study cuts across the three perspectives, but with much emphasis on the behavioural elements. While the socio-economic parts were explored to appreciate the nature and characteristics of the participants in the sector, the institutional ones were meant to bring insights into the roles of institutions, both formal and informal as drivers of informality and to guide policy recommendations. The study therefore has contributed to filling these existing gaps in the literature of informal entrepreneurship in Nigeria.

11.3.1 Contribution to existing body of knowledge

Even though considerable research has been carried out on the informal economy, little attention has been given to the study of informal entrepreneurship activities in Nigeria. Most studies concentrated on the informal economy and the informal sector in general. This study is one of the few contemporary studies to present a comprehensive analysis of the nature and characteristics of the participants, their motives for engaging in the activity and policy measures to improve their conditions, support their firm's growth and encourage their voluntary formalisation. In particular, policy measures and approaches to improving conditions and encouraging the voluntary formalisation of entrepreneurs in the informal sector have received little attention from researchers. It was on this basis that this study was undertaken.

Evaluating informal entrepreneurship through an eclectic theoretical that examined the co-existence of dual or multiple logics/rationales for participation, inter-institutional drivers in and multidimensional motives for engaging in the activity is limited globally and yet to be carried out in context of Nigeria to the knowledge of the researcher.

11.3.2 Contribution to methodology

Evaluation of informal entrepreneurship needs to cover a wide range of informal entrepreneurial activities, particularly as it involves exploring the nature, character and motives for engagement in the endeavour. To do this effectively, the study used a nested two-stage sampling survey (households and enterprise surveys). The research design was adopted in order to capture informal entrepreneurs at home and in the market place, on the street and at business premises. Most of the previous studies were based on establishment surveys (e.g. Mabogunji and Filani, 1981; Simon, 1998).

The study has refuted the claim by the advocates of indirect methods that participants would not divulge information regarding their informal entrepreneurial activities; almost all the participants were willing to cooperate in both the two phases of the survey. Few (4%) participants changed their intentions after accepting to participate in an interview in the second phase of the enterprise survey. This study therefore has confirmed the suitability and usefulness of the direct survey method in researching informal entrepreneurship.

11.4 Research problems and limitations

Access to official population figures posed some challenges, due to the bureaucracy involved and legal restrictions on the publication of the results due to a court case concerning the results. Also, as a result of poor records management in some organisations, several visits were made before accessing certain documents.

The definitional issue surrounding the concept of informal sector enterprises was somewhat challenging, particularly in identifying and categorising some participants. For example, in terms of employment size many operators had more than ten workers, which is the threshold in the official definition of the informal sector in Nigeria, but based on other characteristics and their operational capacity, they conformed more to the informal than formal entrepreneurship category. Similarly, some had been operating in the sector for quite a number of years (more than 42 months) but still had informal sector status, based on their operational characteristics. Intensive review on previous studies and how they categorised the participants and discussion with experts in the field have helped in categorising the participants in their right groups.

Some of the challenges encountered in the field were related to the need to reschedule some interview appointments in order to accommodate participants' busy schedules. On some occasions the researcher

had to make several visits before the interview was granted. Similarly, female participants were reluctant to grant interviews, most likely owing to their limited exposure in interaction with researchers, religious orders and cultural norms, and a lower level of education leading to their underrepresentation in the overall sample of informal entrepreneurs when compared to their male counterparts. Some of the female participants were shy in reporting their experiences to the researcher; at times they had to be assisted by their husband or a grown up child. As a problem that cannot be changed immediately, it has to be dealt with by the use of key informants. Another limitation of the study was that some issues such as alteration of motives and enterprise growth would have benefited from more detailed qualitative research.

11.5 Areas for future research

Even though the thesis has presented a comprehensive and detailed description and analysis of the nature and characteristics of informal entrepreneurship in the sample area studied, along with the motives for engaging and policy measures and approaches that might encourage the voluntary formalisation of informal entrepreneurs in the sector, there is still a need for further research. One reason is that the thesis explored only one of 36 states in Nigeria, leaving a need for a more extensive study to cover other states for a comprehensive and broader coverage of the activity in Nigeria, to permit generalisations and aid the development of national policy on the sector.

Furthermore, based on the findings of the study the following areas of informal entrepreneurship need further investigation: the role of informal institutions in the development and fostering of entrepreneurial activities; entrepreneurial orientation amongst informal entrepreneurs; and qualitative research on the alteration of motives for engaging in the activity and the nature of informal sector growth.

11.6 Recommendations

In recent years, the significant role of the informal sector has been realised more, especially in developing countries, due to its contribution to income generation, resource utilisation, and reducing income inequality and poverty. The challenge is how to improve the operating conditions of the participants, thereby encouraging voluntary and gradual transition to the formal sector for the benefit of the government as well as the informal entrepreneurs. The following recommendations are given as a way of addressing the problems faced by informal entrepreneurs.

Despite the government desire for regulated and orderly economic transactions and increased revenue base with which to ensure the delivery of basic services, formalisation of informal entrepreneurs should be encouraged through motivation not through coercion. Efforts should be made to improve operating conditions and effective delivery of support services by the state.

Emphasis should be given to incentives to be derived by the participants to serve as motivators. It is vitally important for Zamfara state government to ensure that informal entrepreneurs are considered in the provision of incentives such as business development grants and support services, and representation in policy making processes.

Policy makers should also remove disincentives. Attention should be given to increasing the positives (such as access to formal sources of finance, access to formal assistance in training and other business development services, increased social and economic security, legal status and freedom to operate and property rights through the allocation of permanent business location, etc.) and reducing the negative aspects of formalisation, (such as too many regulatory requirements, high costs of regularisation and an unfavourable tax regime among others).

Policy makers need to recognise the strong influence of socio-cultural and normative institutions in the conduct and practice of informal entrepreneurship in Zamfara. The crucial role of the informal associations in regulating the activities of their members needs to be recognised and they should be involved in matters concerning policy on the sector.

The government of Zamfara state also needs to strengthen its social contract with citizens by making effective use of tax payers' money to enhance the provision of public services. For example, a certain percentage of revenue from informal markets could be dedicated to improving infrastructure in the markets. This might improve perceptions of government fairness to tax payers and would potentially have a positive impact on improving compliance with regulations and tax morality among citizens.

Policy measures should be tailored to suit different groups of informal entrepreneurs. Hence, appropriate policies should be designed for different types of operators rather than adopting a 'one-size-fits-all' approach. A monolithic policy approach will not suffice in servicing the needs of the different groups.

Finally, there is a need for national policy on informal sector entrepreneurship. The Federal Ministry of Trade and Investment (FMTI) in collaboration with states Ministries of Commerce and Industry should draft a policy on the sector to be presented to national assembly for legislative approval. This might serve to increase government attention on the sector and reduce some of the obstacles and barriers faced by informal entrepreneurs in Nigeria.

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APPENDIX A

HOUSEHOLD CENSUS OF INFORMAL ENTREPRENEURS

LOCAL GOVERNMENT AREA..... LOCALITY..... ENUMERATION AREA..... FORM A

S/NO	NAME OF HOUSEHOLD	NUMBER AND TYPES OF ENTREPRENEURS IN THE HOUSEHOLD			PROFILE OF THE INFORMAL ENTREPRENEURS												
		NUMBER	TYPES		SEX		SECTOR				STATUS				MODE OF OPERATIONS		
		NUMBER OF ENTREPRENEURS IN THE HOUSEHOLD	NUMBER OF INFORMAL ENTREPRENEURS	NUMBER OF FORMAL ENTREPRENEURS	MALE	FEMALE	MANUFACTURING & IND. (PRODUCTION)	COMMERCE & TRADE (RETAIL&WHOLESALE)	SERVICES, COMMUNICATION &TRANSPORT	FINANCIAL SERVICES & INTERMEDIATION	OWN-ACCOUNT HOLDERS	OWNER-EMPLOYERS	CONTRIBUTING FAMILY MEMBERS	APPRENTICES	MEMBERS PRODUCER 'S COOPERATIVES	FORMALLY EMPLOYED INFORMAL	MULTIPLE ENTREPRENEURIAL ACTIVITIES

APPENDIX B

The University of Sheffield
Management School
Sheffield, United Kingdom

INFORMAL ENTREPRENEURS' QUESTIONNAIRE

Introduction: I am a PhD research student of the above named University undertaking research on informal entrepreneurship. The purpose of the study is to examine the nature and character of informal entrepreneurship in Nigeria, along with the reasons for engagement in such an endeavour and what policies might support the formalisation of the sphere. This area has been selected because of its economic importance to the life of people in the state. Consequently, the views of the informal sector entrepreneurs are considered very important towards the success of the study. The study has been ethically approved by the University of Sheffield management School ethics review committee. It will be highly appreciated if you could allow the use of your valuable time to respond to these questions. Your responses will remain completely anonymous in any written report and they will be treated with strict confidentiality.

Your participation is voluntary; you are free to withdraw at any given time. You are therefore requested to please sign a written consent form for your acceptance to participate willingly. I would also like you to feel free to ask for clarification for any misunderstood question during the session.

Your participation will be highly appreciated.

Thanks greatly

Researcher

Usman A. Ladan
The University of Sheffield
Management School
u.ladan@sheffield.ac.uk

INFORMAL ENTREPRENEURS' QUESTIONNAIRE

Interview No. []

Location:

Locality type: Rural [] Suburban [] Urban []

A) SCREENING INFORMATION

A1) Are you registered with the Corporate Affairs Commission (CAC), the National Agency for Food and Drugs Administration and Control (NAFDAC), pay income tax or VAT, or both?

Yes 1 No 2. [] (If yes, terminate interview)

A2) What is the main activity of your enterprise? (Interviewer to tick)

ACTIVITIES	Codes
Making goods (manufacturing & production)	
Clothes & other personal items	[]
Food processing & related products	[]
Handcrafts (Knitting, etc.)	[]
Furniture products	[]
Metal products	[]
Tools & instruments	[]
Poultry farming	[]
Mining & processing of mineral resources	[]
Sawmill & timber processing	[]
Blacksmithing	[]
Others (not included above)	[]
Selling goods or services (services)	
Food (restaurant, catering services & street food sellers)	[]
Clothes (boutique) and other household items	[]
Groceries & other related items	[]
Provision stores & other goods	[]
Mobile phone sales & services	[]
Transport services	[]
Selling petrol & engine oil	[]
Building & construction	[]
Cleaning & washing services (car, clothes, gold etc.)	[]
Barbing & hairdressers services	[]
Selling of spare parts	[]
Professional services (including internet cafés/services)	[]
Repairing services (auto, electrical & electronic)	[]
Itinerant wholesales & retailing	[]
Agency & brokerage services	[]
Financial intermediation (foreign currency exchange, money lending etc)	[]
Arbitrage	[]
Metal scraps & garbage collection	[]
Estate & property renting services	[]
Other services (not included above)	[]

A3) Which of the following describes the enterprise or respondent's activity?

(Interviewer to tick)

TYPES OF ENTERPRISE/ACTIVITY	Codes
1) Mining & quarrying	[]
2) Manufacturing	[]
3) Construction	[]
4) Wholesale & retail trade	[]
5) Hotels & restaurants	[]
6) Transport, storage & communication	[]

7) Financial intermediation	[]
8) Real estate, renting & other business activities	[]

B) GENERAL INFORMATION

Name of the interviewee..... Sex: Male [] Female []

Ethnicity/Tribe: Hausa [] Igbo [] Yoruba [] Other (Specify).....

Age: []

Highest level of education Code

- 1) Never
- 2) Primary
- 3) Secondary []
- 4) Tertiary
- 5) University

Marital status Code

- 1) Single
- 2) Married
- 3) Divorced/Separated []
- 4) Widowed

C) EMPLOYMENT HISTORY AND PROFILE

C1) What was your previous occupation? (*Interviewer read out*)

OCCUPATION	CODES
Engaged in the same occupation/activity as current (owner/employer)	1
Engaged in a different occupation/activity (as owner/employer)	2
Contributing family member in the same occupation/activity as current	3
Contributing family member in a different occupation/activity	4
Apprentice in the same occupation/activity as current	5
Apprentice in a different occupation/activity	6
Unemployed formally	7
Formally employed	8
Housewife	9
Retired formal worker	10

C2) If formally employed or once employed, what is your current (C2a) or last occupation (C2b)?

(*Interviewer read out*)

	C2a	C2b
OCCUPATION	CURRENT OCCUPATION	LAST OCCUPATION
Professional (doctor, lawyer, accountant, architect)	1	1
Top management (MD, GM, DG,PS & others)	2	2
Middle management (line manager, HOD & others)	3	3
Supervisor, technician, teacher/lecturer	4	4
Employed working at a desk	5	5
Employed salesmen, driver & others	6	6
Employed in a service job (police, firemen & others)	7	7
Skilled manual worker	8	8
Unskilled manual worker	9	9

D) LOCATION OF ENTERPRISE

D1) Where is your enterprise/activity located? *(Interviewer read out)*

LOCATION	CODES
FIXED PREMISES:	
• Home of the informal entrepreneur	1
• Business premises	2
• Farm or agricultural/subsidiary plot	3
• Construction & mining site, scraps & garbage area	4
• Market, bazaar stall, trade fair & others	5
• Street pavement or highway, station with fixed post	6
NO FIXED PREMISES:	
• Transport services (vehicle, tricycle, motorcycle, etc.)	7
• No fixed location (transport services & hawking on street)	8
• Other (Specify).....	9

D2) If at home, what is the main reason for locating your business/activity at home? Code

- | | |
|--|-----|
| 1) To reduce costs | [] |
| 2) Easy to manage along with family responsibilities | [] |
| 3) Difficult to get a place | [] |
| 4) Other (specify)..... | [] |

E) ENTERPRISE ORGANISATION

E1) How did you start the business? Code

- | | |
|---------------------|-----|
| 1) Inheritance | |
| 2) Apprenticeship | [] |
| 3) Self-established | |

E3) For how long have you been in business? Code

- | | |
|-----------------------|-----|
| 1) Less than one year | |
| 2) 2-3 years | |
| 3) 4-5 years | [] |
| 4) 6-10 years | |
| 5) 10 years and above | |

E3) Which of the following describes your type of enterprise? Code

- | | |
|--|-----|
| 1) Family enterprise | [] |
| 2) Sole ownership | [] |
| 3) Partnership | [] |
| 4) Cooperative (collective enterprise) | [] |

If you are in partnership, which of the following applies to you?

- | | |
|---|--|
| 1) Partnership with members of my household | |
| 2) Partnership with others | |

E4) Which of the following applies to you? Code

- | | |
|-----------------------|-----|
| 1) Owner/employer | [] |
| 2) Own account holder | [] |

E5a) In addition to your main business activity, do you have other business(es)?

Yes	1	No	2	<i>(If no, go to E6)</i>	[]
-----	---	----	---	--------------------------	-----

If yes, which of the following describes you?

- | | |
|-------------------------|------|
| 1) One other business | Code |
| 2) Two other businesses | [] |

3) Three or more other businesses

E5b) Are all your business activities in the same activity sector?

Yes 1 No 2 []

E6) Have you ever changed business or have you remained in the same one since when you started your entrepreneurial endeavour?

Code

- 1) Have changed once
- 2) Remained with one since I started
- 3) Floated from one type to another []
- 4) Refusal/ Do not know

E7) Do you combine formal and informal entrepreneurial activities concurrently?

Yes 1 No 2 (If no, skip to MP 1) []

If yes, why do you combine them, instead of being in either formal or in informal, as the case may be?

.....

F) ENTERPRISE FINANCING (SOURCES & ACCESS TO FINANCE)

F1) What was your main source of initial capital with which you started your business?

Code

- 1) Personal savings
- 2) Sale of livestock and crops/other assets
- 3) Inheritance
- 4) Pension, gratuity (Retirement/severance benefit)
- 5) Loans from friends and relatives []
- 6) Loans from money lenders
- 7) Loans from bank and micro-finance institutions
- 8) Loans from credit societies/NGOs/CBOs
- 9) Others (Apprenticeship) etc.

F2) How do you finance your business operations?

- 1) Retained profits of the business
- 2) Trade credit from informal suppliers
- 3) Trade credit from formal suppliers []
- 4) Loans from business partners/associates in form of marketing loan based on trust
- 5) Loans from friends, relatives and acquaintances
- 6) Others, please specify.....

F3a) Which source(s) of finance do you resort to when you are in need of additional finance?

SOURCES OF FINANCE		1 Yes
		2 NO
1) Banks		[]
2) Micro – finance institutions (MFIs)		[]
3) Loan from family, relatives, friends and acquaintances		[]
4) Private money lender		[]
5) Cooperative societies		[]
6) Credit from suppliers or advances from customers		[]
7) Other sources (Specify).....		[]

b) Which option from the above list has been the most important?

G) ENTERPRISE SALES & SUPPLIES

G1) Please could you tell me from whom you usually buy inputs used in the manufacturing/production of goods you produce or goods/services you sell?

Code

- 1) Standard formal supplier/formal place of purchase []
- 2) Informal supplier/informal places of purchase

G2) If buying from informal supplier/place of purchase, what influences you to buy from informal supplier/place of purchase instead of formal supplier/place of purchase?

- 1) Lower price (less expensive)
- 2) Easy access
- 3) Goods/inputs not available in the formal market/supplier []
- 4) Build community/help the supplier
- 5) Do not know/Refusal

G3) Do you normally buy any of your inputs/goods on credit?

Yes 1 No 2 []

G4) Do you have problem with Supply of raw material (Quality & Quantity)

Yes 1 No 2 []

G5) To whom do you mainly sell your products?

Code

- 1) Other informal traders
- 2) Formal organisations/traders
- 3) Friends, relatives, neighbours and acquaintances []
- 4) General customers/clients

G6) Do you normally sell any of your goods/services on credit?

Yes 1 No 2 []

G7) Do you have problem with selling products (lack of customers, etc.

Yes 1 No 2 []

H) WORKFORCE COMPOSITION

H1) If an employer, are your employees registered under social security laws or any labour Regulatory bodies?

Yes 1 No 2 (If no, skip to WC 3) []

If yes, do you pay social security contribution?

Yes 1 No 2 []

H2) How many workers are in your enterprises?

TYPES OF WORKERS	TOTAL	MALE	FEMALE
1) Owners (including business partners)			
2) Contributing family members			
3) Paid employees			
4) Unpaid employees (including apprentices)			
OVERALL TOTAL			

I) INFORMAL ENTERPRISE INCOME

IN1) On average, how much do you realize per month from this business activity? ₦.....

IN2) How much is your monthly salary from your formal job? (If formally employed) ₦.....

IN3) Which of your engagements (formal or informal) is your main income source? (If formally employed)

Code

- 1) Formal engagement []
- 2) Informal entrepreneurial activity

J) INFORMAL REGISTRATION & REGULATIONS

J1) Are you registered with any business associations?

Yes 1 No 2 (If no, skip to J2) []

If yes, what is the name of your association (e.g. fruit sellers association)

.....

J2) Do you have to make informal payments to operate?

Yes 1 No 2 []

J3) Are you aware of any regulations regarding the operation of your business activity?

Yes 1 No 2 (*If no, skip to K1*)

[]

If yes, who issued the regulations?

1) Government (Federal, State or Local)

[]

2) Informal entrepreneurs' association (Professional, Trade or Occupation)

K) MOTIVES FOR PARTICIPATION

K1) What was your main reason for starting up this business?

Code

1) Inheritance/family tradition

2) Dissatisfaction with previous work/present

3) Retrenchment from salaried job

4) Difficulty in finding formal employment

5) For self and family sustenance

6) Job security

[]

7) For additional income (supplement income from other sources)

8) It gives higher income than formal job (profit)

9) Prefer to be my own boss

10) It gives more freedom than formal job

K2) Any other reasons? (*Interviewer read out the main in K1 with exception of the main reason mentioned by the interviewee*)

1) Inheritance/family tradition

2) Dissatisfaction with previous work/present

3) Retrenchment from salaried job

4) Difficulty in finding formal employment

5) For self and family sustenance

6) Job security

[]

7) For additional income (supplement income from other sources)

8) It gives higher income than formal job (profit)

9) Prefer to be my own boss

10) It gives more freedom than formal job

K3) From experience, has your reason for starting up this activity changed since when you started (for example from self and family sustenance to exploitation of business opportunity)?

Yes 1 No 2

[]

If yes, could you please explain a little further on your transition or shift in your motives for participating in the activity.....

K4) Are you of the opinion that a dearth of employment opportunities is the major cause of your participation in informal entrepreneurship?

Yes 1

No 2

[]

K5) Would you accept a suitable job offer in the formal sector? (*If not formally employed*)

Yes 1 No 2 Do not know/Refusal 3

[]

K6) Do you offer your goods/services for social redistribution (i.e. for non-monetary purposes)?

Code

1) Yes, at least some part of it on regular basis

2) Yes, at least some part of it from time to time

[]

3) No, they are for sale

4) Refusal

K7) Why do you engage in informal instead of formal entrepreneurship?.....

L) BUSINESS ENVIRONMENT & RELATIONSHIP WITH STATE

L1) How would you describe the relationship between informal entrepreneurs and the formal institutions (government regulatory agencies)?

- Code
- 1 Benign/friendly
 2 Hostile/unfavourable []
 3 Indifferent (neither hostile nor friendly)

L2)

Did you have problems with the regulatory institutions in carrying out your business in the last 12 months?	1 Yes 2 No
1) Local government officials	[]
2) Customs	[]
3) NAFDAC/SON	[]
4) Tax officials	[]
5) Police	[]
6) Others (Specify)	[]

M) ENTERPRISE REGISTRATION WITH AUTHORITY

M1) What is the main reason for not registering your enterprise(s)?

- Code
- 1) Do not know if I have to register the business
 2) Lack of information about the requirements for registration
 3) Do not need to register my business []
 4) Too many requirements to complete registration
 5) Have to pay too much to register
 6) To avoid tax payment
 7) To avoid inspection by government officials

M2) Do you have any licences or permits to operate your business?

Yes 1 No 2 Refusal 3 (If no or refusal, skip to M3) []

b) If yes, who issued the licences or permits? Code

- 1) Local government
 2) State government agency
 3) Consumer protection agency (e.g. NAFDAC, SON) []
 4) Professional association/body
 5) Other (Specify).....

M3) Would you like your business/enterprise to be registered with governmental agencies (i.e. to formalise your business)?

Yes 1 No 2 Indifferent 3 []

M4) In your opinion, are there benefits that could be derived from registering your activity/enterprise with the government (i.e. advantages for formalising your activity or enterprise)?

Yes 1 No 2 Do not know 3 []

M5) Which of the following factors deters the formalisation of your business/enterprise?

FACTORS	1 Yes 2 No
1) High costs of formalisation	[]
2) Lack of incentives for formalization	[]
3) Absence of benefit to be derived from formalisation	[]
4) Payment of tax	[]
5) Too many registration requirements	[]
6) Bureaucracy and red-tape in the formalisation procedure	[]
7) Lack of awareness and access to information about business registration	[]

M6) Which of the following areas do you need assistance for your business growth and formalisation?

AREAS NEED TO BE ASSISTED	1 Yes 2 No
1) Better access to business premises	[]
2) Better access to loans	[]
3) Better access to raw materials/supplies	[]
4) Better access to infrastructure and services	[]
5) Simplified government regulations	[]
6) Access to modern machines	[]
7) More access to business development services	[]
8) Favourable tax regime for informal enterprises	[]
9) Managerial training/Marketing assistance	[]

N) INFRASTRUCTURE AND SUPPORT SERVICES

N1) Do you have problem with any of the following?

PROBLEMS	1 Yes 2 No
1) Inadequate electricity supply	[]
2) Inadequate water supply	[]
3) Poor telecommunication services	[]
4) Poor road networks	[]
5) Poor transport services	[]

N2) Which of these factors are impediments to your entrepreneurial endeavour?

FACTORS	1 Yes 2 No
1) Insufficient access to credit from banks and related institutions	[]
2) Low level of education and limited training opportunities	[]
3) Lack of market information and networks	[]
4) Unfavourable business environment	[]
5) Lack of support from the government	[]
6) Refusal/Do not know	[]

N3) Is limited access to finance or loans a major obstacle to your business/enterprise growth?

Yes 1 No 2 []

N4) Are you aware of loan facilities offered by banks and micro-finance institutions?

Yes 1 No 2 []

N5) Have you obtained any business grant from government to start or improve your business/activity?

Yes 1 No 2 (If no, skip to N6) []

If yes, from which governmental agency?

- 1) Federal Government (YOUWIN, BICs, etc.) []
- 2) State government (Skills acquisition centres) []
- 3) Others (specify).....

N6) Are you aware of any informal enterprise support institutional structure/programme?

INSTITUTIONS/PROGRAMME	1 Yes 2 No
1) International donor agency programme/project	[]
2) Federal government programme/project	[]
3) State government programme/project	[]

4) Professional associations	<input type="checkbox"/>
5) Non-Governmental Organisations (NGOs)	<input type="checkbox"/>

N7) Do you benefit from any programme/project introduced by the government to assist informal entrepreneurs in their business growth and/or formalisation?

Yes 1 No 2 ☐

O) CONSTRAINTS AND CHALLENGES

Choose from the following issues you consider impediments and obstacles to your business/enterprise performance
(Interviewer read out)

CONSTRAINTS AND CHALLENGES	1 Yes 2 No
1) Lack of skills	<input type="checkbox"/>
2) Lack of machines & equipment	<input type="checkbox"/>
3) Lack of market for products, information and networks	<input type="checkbox"/>
4) Lack of support from the government	<input type="checkbox"/>
5) Limited working capital	<input type="checkbox"/>
6) Limited training opportunities	<input type="checkbox"/>
7) Limited access to credit & financial services	<input type="checkbox"/>
8) Limited access to business support & development services	<input type="checkbox"/>
9) Limited linkages with formal sector	<input type="checkbox"/>
10) Poor location & lack of permanent structure	<input type="checkbox"/>
11) Poor state of infrastructural services	<input type="checkbox"/>
12) Socio-economic insecurity (Armed robbery, Boko Haram and so on)	<input type="checkbox"/>
13) Too many regulations & difficult registration procedures	<input type="checkbox"/>
14) Unfavourable business environment	<input type="checkbox"/>

P) POLICY MEASURES TO IMPROVE CONDITIONS AND FACILITATE THE FORMALISATION

P1) Select from the following measures what you think could improve the conditions and accelerate the formalisation of informal enterprises (Interviewer read out)

MEASURES TO IMPROVE CONDITION & FACILITATE FORMALISATION	1 Yes 2 No
1) Awareness creation & access to information	<input type="checkbox"/>
2) Encouraging formal-informal forward linkages	<input type="checkbox"/>
3) Establishment of institutional structure for informal enterprises	<input type="checkbox"/>
4) Improving access to credit and other financial services	<input type="checkbox"/>
5) Improving access to business support and development services	<input type="checkbox"/>
6) Improving access to product market & information and networks	<input type="checkbox"/>
7) Improving public infrastructural service delivery	<input type="checkbox"/>
8) Lowering the costs of doing business	<input type="checkbox"/>
9) Provision of training for skills acquisition and upgrading	<input type="checkbox"/>
10) Provision of low cost capital	<input type="checkbox"/>
11) Reducing corruption and bureaucracy in business registration	<input type="checkbox"/>
12) Reducing tax burden	<input type="checkbox"/>
13) Simplifying business registration	<input type="checkbox"/>

P2) In addition to the above, can you suggest any other measures that you think would improve the conditions and facilitate the formalisation of informal entrepreneurs?

.....
.....

THANK YOU

APPENDIX C

Letters of introduction to three local government areas comptrollers of National Population
Commission of Nigeria.



NATIONAL POPULATION COMMISSION

ZAMFARA STATE OFFICE, GUSAU

ADDRESS:
Opp. G. S. S. G. R. A. Area,
Sokoto Road,
7/12/2017, Gusau.

ZNPC/ZMS/RCD/189/1/26

Our Ref: _____ Your Ref: _____ Date: _____

The Comptroller,
NPCGUSAU..... LGA,
Zamfara State.

INTRODUCTION OF USMAN A. LADAN, A DOCTORAL RESEARCHER FROM THE UNIVERSITY OF SHEFFIELD UNITED KINGDOM

Following the Commission's approval of the above named researcher's requests for EA Maps and formal introduction to the Comptrollers of the selected LGAs for his research, I am directed by the Hon. Federal Commissioner to introduce the researcher to you to assist him in data collection in your LGA. The title of his thesis is evaluating informal sector entrepreneurship in Zamfara State, Northern, Nigeria.

In view of the above, you are directed to introduce him to the Chairman of the Local Government and the highest traditional ruler(s) in the LGA as well as to assist him in E.A identification.

M.D.A. Shehu
(State Director)

For: Hon. Fed. Commissioner.



NATIONAL POPULATION COMMISSION

ZAMFARA STATE OFFICE, GUSAU

ADDRESS:
Opp. G. S. S. G. R. A. Area,
Sokoto Road,
7/12/2012, Gusau.

ZNPC/ZMS/RCD/189/1/26

Our Ref: _____ Your Ref: _____ Date: _____

The Comptroller,
NPC Kaura-Namoda LGA,
Zamfara State.

INTRODUCTION OF USMAN A. LADAN, A DOCTORAL RESEARCHER FROM THE UNIVERSITY OF SHEFFIELD UNITED KINGDOM

Following the Commission's approval of the above named researcher's requests for EA Maps and formal introduction to the Comptrollers of the selected LGAs for his research, I am directed by the Hon. Federal Commissioner to introduce the researcher to you to assist him in data collection in your LGA. The title of his thesis is evaluating informal sector entrepreneurship in Zamfara State, Northern, Nigeria.

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M.D.A. Shehu
(State Director)
For: Hon. Fed. Commissioner.



NATIONAL POPULATION COMMISSION

ZAMFARA STATE OFFICE, GUSAU

ZNPC/ZMS/RCD/189/1/26

ADDRESS:
Opp. G. S. S. G. R. A. Area,
Sokoto Road.
7/12/2012, Gusau.

Our Ref: _____ Your Ref: _____ Date: _____

The Comptroller,
NPC TALATA - MAFA LGA,
Zamfara State.

INTRODUCTION OF USMAN A. LADAN, A DOCTORAL RESEARCHER FROM THE UNIVERSITY OF SHEFFIELD UNITED KINGDOM

Following the Commission's approval of the above named researcher's requests for EA Maps and formal introduction to the Comptrollers of the selected LGAs for his research, I am directed by the Hon. Federal Commissioner to introduce the researcher to you to assist him in data collection in your LGA. The title of his thesis is evaluating informal sector entrepreneurship in Zamfara State, Northern, Nigeria.

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